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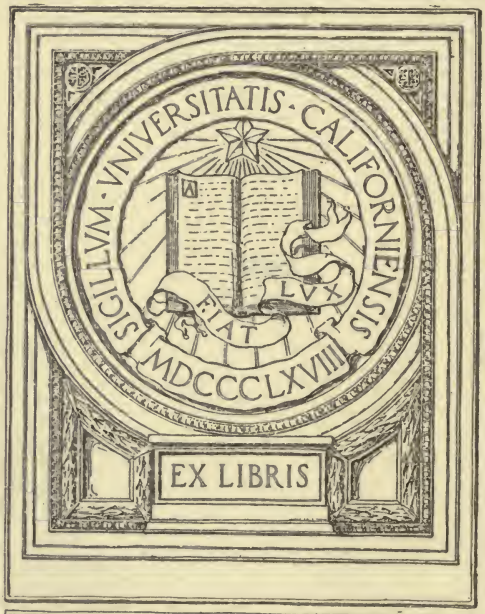
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THE WAY OUT

ECONOMIC, INDUSTRIAL, FINANCIAL

UNIV. OF CALIFORNIA

BY

A. F. THOMAS

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PREFACE.

An Appeal and a Challenge.

The history of man presents a succession of fundamental social changes occurring at more or less irregular intervals. Each epoch is governed by laws applicable to the peculiar conditions and circumstances existing during such period. It is no more possible to retain in the new period the things that pertained only to the old than it is for the man of to-day to transform himself into the child of yesterday.

There are many indications that the world is now on the eve of tremendous social change. A new era is being born. The result is inevitable. Men have the alternatives of adjusting themselves to the coming order, or of resisting it to their detriment and perhaps to their destruction. The nameless graves of millions bear mute, but convincing testimony to the truth of this observation.

The hope of the world rests upon the assumption that men will become wiser and better; that they will develop enough intelligence and character to adjust themselves properly to the environment which evolution creates for them.

The dominant purpose of this book is to examine analytically the fundamentals of the social order; to discover and make plain the laws of social evolution. It is a search for truth in the faith that we shall know the truth and that the truth shall make us free.

Since mankind moves under leadership, it is my earnest desire to focus the attention of the leaders among all classes upon present problems, so that the combined intellectual and moral force of such leaders may be ap-

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plied to the task of devising proper solutions. If the blind lead the blind, both will fall into the proverbial ditch. The right to lead rests upon the possession of superior capacity to see and make plain the better way and a willingness to discharge faithfully the duties which this better endowment imposes.

This work is intended both as an appeal and a challenge. An appeal to forward looking, progressive citizens to reëxamine the underlying principles of social organization and to exert themselves to promote a better understanding and a more general acceptance of such principles as their judgments may approve. A challenge to those of reactionary and conservative tendencies to expose and refute the fallacies they may discover and thus prevent the acceptance of mistaken conclusions resulting from them.

In the treatment of the different subjects I have purposely avoided reference to any authorities, however eminent, because I desired to present the case solely upon its merits, leaving the readers to reach such conclusions as their unbiased judgments may approve.

In the preparation of the work I have received from many generous friends valuable suggestions and help, for which I am deeply grateful. With this general acknowledgment goes the wish that opportunity may arise for me to give to each of these friends more specific evidence of my appreciation of their kindness.

A. F. THOMAS.

Lynchburg, Va.,
May, 1922.

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CHAPTER I.

TERMS AND PRINCIPLES.

In view of the fact that such terms as Coöperation, Collectivism, Communism, Capitalism, Socialism, Individualism and the like have acquired meanings which give to them a more or less definitive and in some cases a malevolent significance it is necessary in the interest of clarity to define with some precision the sense in which they are to be used. If it were practicable it might even be desirable to coin anew the terms to represent the ideas which these terms are intended to convey, but such a course seems less practicable than to employ the present terms even at the risk of being misunderstood by some and misrepresented by others.

Communism defined. The term Communism and its derivatives will not be used in this discussion to represent the economic theory that there shall be State ownership of all property and that the State shall control all means of production and distribution of the products of industry. The term will be used to convey only the idea of the common ownership of the particular property involved in an operation for the common benefit in which the contribution is made in proportion to ability and the distribution is effected according to need. In other words, the purpose is to discuss the principle of contribu-

tion according to strength, and distribution according to need as exemplified by such operations as may employ this principle with beneficial effects.

Socialism defined. The term Socialism and its derivatives are intended to convey the idea of collective action, the results of which are to be distributed according to contribution.

Individualism. Individualism will be used in a sense entirely negative of joint action. This principle admits of no organic relation between individuals or groups and hence there can be no controlling principle of relativity between individuals or classes of society in the things in which individualism is supreme.

Coöperation inclusive. The proposition to be sustained is that there is in every social organism a proper sphere for Communism, Coöperation, Socialism, and Individualism, and that the most perfect social organism is that which gives each of them its proper place in the scheme of general coöperation.

Growth of Communism. As the social body has evolved from its lowest state, Communism has developed in consonance with it. The more highly developed society becomes, the more extensive the application of the communistic principle. It may be shocking to many to learn that all people are communistic and, as between individuals, they all agree in principle, differing only in degree. Perhaps the earliest communistic organization was the family in which the stronger members combined to produce, distributing the results of their efforts according to the needs of all. It is according to this natural principle that the strong labor in order that they may take

care of the weak. It is a provision of nature to insure the welfare of the genus. As social growth proceeds with its multiplication of individuals and increased complexity of relation, necessity, the mother of invention, compels organization designed to promote social welfare. Like the social body it naturally becomes increasingly complex and its functions embrace an ever widening sphere of activity.

Organization, a necessity.

State service communistic.

In so far as their purposes are to serve the State, all governmental activities are necessarily communistic. The effort to preserve the peace is but another expression of the purpose to protect the weak against the imposition of the strong. The establishment of a judicial system is designed to furnish means by which justice and protection may be afforded those who cannot protect themselves.

The legislative branch of government is charged with the duty of laying down the rules of decorous behavior and the executive branch of government has the duty of administering these laws and may call into play the entire force of society to compel obedience to them. The court houses, the capitols and their auxiliary buildings are constructed and maintained at the public expense. The salaries of all public officers, the costs of armies and navies are public charges collected from all in proportion to the individual ability to pay and the funds so derived, theoretically at least, are devoted to the service of those who stand in greatest need. The public free school system, open as it is to all, is sustained by collections made and disbursed in the same way. The controlling reason in this case is that general education is necessary to the normal development of the social body, and that public support and operation of it is the most efficient method of accom-

Why the State educates.

plishing the desired end. Eleemosynary institutions, care of the deaf, dumb, and blind, provision for lunatics, penal and reformatory institutions, public health activities, public research for the promotion of production and many other activities of similar character form the ever increasing list of subjects that rest entirely upon the communistic principle.

Socialistic coöperation.

Socialistic action is confined to those coöperative operations designed to produce with highest efficiency, distributing the product according to the demand of equity based upon the contribution of the individual. In other words, the individual under this system must receive the equivalent of his contribution. All public utilities including the post office, private business and the wage system function on the socialistic principle. Public parks, free playgrounds, sewers or other facilities for the use of which no charge is made are strictly communistic, while water, heat, light and other service for which the individual pays in proportion to use is in accordance with the principles of socialism. Theoretically all socialistic service should be at cost, but business and the wage system, under private initiative, cannot fully meet this requirement.

Coöperative production.

It will be observed that both communistic and socialistic operations employ coöperation in production whether under public or private initiative, therefore, on the productive side, there is no difference in principle between them. When the distribution of benefits begins, communism and socialism fall under diverse principles, the first having as its object the supplying of needs, the second devoted to equitable division between individuals. Com-

Distribution.

Love, the basis of communism.

munistic distribution finds its *raison d'etre* in the emotional nature of man and has love as its basis. On the other hand, socialistic action is founded upon reason. Its purpose being to teach a standard of equal justice to all, it demands that each shall receive not what he may need but the equivalent of that which he contributed to the production. The language of the first is that the injury of one is the hurt of all, while the slogan of the other is equal and exact justice to all men. Surprising as it may be, the fact remains that both communistic and socialistic principles are extending their spheres of action in all coöperative operations whether conducted under public or private initiative. Especially is this true of the communistic principle in so called private business. The tremendous growth of welfare work and the increasing assumption of risk of business evidenced by provision to protect the individual workers and to compensate them in case of accident furnish indisputable evidence that the social body is functioning at an ever increasing rate in accord with this principle.

Justice, the basis of socialistic distribution.

Growth of communism in private business.

It is hardly an exaggeration to say that human life completes a circle. It is called into being by coöperation, is welcomed and cared for by communism, the strong taking care of the weak. In its period of production it conforms to coöperation and socialism, and its declining years lead back to weakness and communism. Communism, then, may be said to welcome life's advent with smiles and endearments and to soothe its pains of parting with loving attention and tears.

Individualism, or that tendency of the human will to think and do that which the intellect determines without

regard to any other being, has necessarily a sphere that is constantly circumscribed and narrowed as civilization advances. It is the right of private judgment, the right to choose one's own course, to think one's own thoughts and arrive at one's own conclusions. This principle in its simplest form has its widest application in the case of the lone savage wandering in the uninhabited wilderness where nothing he may think or do will affect others of his kind. As this wanderer emerges from his wilderness and begins to enter into contact with others he finds his opportunity for applying this principle growing increasingly less.

Individualism limited.

Individualism valuable.

It is not intended to say that in any well organized society this principle of individualism can or should be eliminated since it is the basis upon which individual initiative rests, a valuable help in securing the highest results in coöperative effort. It is this individual faculty that makes self orientation possible, without which it is inconceivable that a marked degree of human progress would be possible.

It will be seen, then, that these principles of socialism, communism and individualism find their base in human nature and are essential parts of human organization, and the omission of any of them would necessarily impair the efficiency of the whole. Manifestly, then, the task before us is not to abolish them but to promote the development of a higher order of intelligence that will lead to the recognition of their vital importance, and to apply the power of analysis to ascertain correctly the proper spheres of each of them so that they may function normally and produce a harmonious result. God in His infinite wisdom has not created anything without beneficial purpose. Ignorance with

Human nature composite.

Need for greater intelligence.

Ignorance dangerous.

its resulting misapplication and abuse is alone responsible for the ill effects that incite abortive attempts to destroy that which only needs enlightened treatment to become the source of public well-being.

Society an organization.

Man is a gregarious animal forming collectively an organism called society. Expressed mechanically, this social body functions as a machine. Its first form is of the simplest kind with its different parts loosely jointed, maladjustment being the rule rather than the exception. A low order of efficiency which such an imperfect organization insures makes the existence of coöperation desirable only because it is relatively more efficient than the still more wasteful individual action which it supersedes. The savage hunter sustaining himself by preying upon the game inhabiting his vicinage finds that some brother savage divides the territory with him and this process continues until the tribe is evolved. Then it develops that under the form of coöperation demanding division of labor each may specialize so that the wants of the community may be supplied better than if each individual were left to do all things for himself. As this community enlarges and its wants multiply, the necessity for closer coöperation and more efficient methods becomes imperative. As the minds of the people develop, the first evidence of an advancing civilization, their wants multiply and the social relationships become increasingly complex. Reverting to the mechanical illustration, one may say that as the intensity of need comes apace the inventive faculty under this stimulus begins to devise methods by which wants may be more easily and plentifully supplied, resulting in a better readjustment of the social mechanism.

Birth of coöperation.

Wants increased.

Standard of civilization.

The extent of these improvements existing in the body politic at any particular time may be accepted as a reliable index of the status of its civilization. The basic reason for coöperation is its power to give greater efficiency. If the individual could do by himself all the things that he wanted done as well and with the same expenditure of force and energy as he could do them in combination with others there would be no reason for coöperation and it would cease to exist.

Once introduced and its benefits perceived, coöperation can never be abolished so long as man retains his powers of perception. Resting upon the unshakable foundation of necessity, expanding with the growth of human need, it becomes more and more an indispensible condition to the normal life and growth of the social body. It then is a social instrument, and like all other instruments may be employed in either a harmful or a beneficial way. The fact that it may be abused furnishes no reason for its destruction or the limitation of its use for right purposes any more than the fact that the necessity for the execution of one man who had committed a heinous crime would make desirable the destruction of the entire human race. Manifestly the wise and prudent thing to do is to facilitate and promote in every permissible way the application of the coöperative principle to effect such purposes as society may deem to be desirable.

The use of social instruments.

Coöperation begins when any two individuals work together to effect a common purpose and may be said to be both intensive and extensive. The former is best illustrated by the combination of individuals to effect definite purposes, while the latter is recognized in the effects that

Coöperative units.

the sum of social activities have on the body politic. Coöperation begins with the small unit and in the first stage results in a general multiplication of these small units rather than in a more intensive growth of any particular unit. Hence, we find in newly settled communities that business is done by many small concerns rather than by a less number of larger operations. This process of small unit development continues until the field is crowded, when an economic loss results because the community is compelled to support more workers in a given service than are necessary for its performance. It is under such circumstances that competition arises, since it is only after the service required is less than that which can be performed by the agencies provided for such service that it can possibly arise. In such cases the larger reason for permitting competition is that society in order to prevent overcharge can afford the economic loss resulting from devoting more labor than the service requires.

Competition.

If protection is secured to the individual by such method it nevertheless leaves society to pocket the economic loss, since there is never any compensation for wasted effort. Again, in every operation there is a maximum of possible efficiency and any unit whose volume is less than that required to produce such efficiency can be eliminated by some larger unit possessing a higher degree of efficiency. After the field has become competitive, there necessarily follows in an advancing civilization a period of elimination that results in the increase in the size of the units and in the diminution of their number. There are two principal methods by which this change is effected: viz., the collection of the small units into a combination, or the enlargement of a single unit, resulting in the destruction

Destructive competition.

Tendency toward monopoly.

of the small ones. Hence, the natural tendency of all service is toward monopoly. The economic limitation of the size of the serving unit is the point at which enlargement and coördination cease to result in economic saving. It is so far assumed that the operation will take place in accordance with economic law and that the substitution of the larger unit for the more numerous smaller units has been entirely on account of its higher economic efficiency. No account has as yet been taken of such enlargement as may have resulted from the abuse of monopolistic power, which subject will receive subsequent notice.

We have but to look about us and select any line of service in manufacture or distribution in order to visualize correctly the process we have been attempting to describe. The greatly increased economic saving made possible by the invention of machinery has made it easy to eliminate the smaller units of production and has thereby given coöperation a tremendous impetus. As these larger operations concentrate in productive effort it becomes highly essential that greater specialization should follow. This change requires that the workman rather than do many things indifferently shall do a few things and do them well.

Use of competition.

Since competition is an essential stimulus implanted in human nature for the purpose of producing excellence, no use of it can be justified that results in economic loss. Its purpose is constructive, and when its use is at the public cost, there must of necessity be a misapplication of the principle. There is no antagonism between coöperation and competition when they are properly coördinated. The latter is the dynamic

force that insures a high order of efficiency in the former. The desire to excel is a primal instinct carrying with it an effort to surpass the accomplishments of others. Whether it is in a game of marbles, a foot race, progress in studies or the effort to outdistance others in manufacturing, merchandising, banking, political life, or any other avenue of endeavor, this principle asserts itself. Man loves the test of strength or skill and each will strive to impress his prowess upon others. The higher the form of coöperation the better the opportunity for the exercise of this instinct. The general with his army of millions has greater opportunity to exhibit his powers of leadership and control than has the captain with his hundreds or the sergeant with his squad.

Economics of coöperation. The advance of coöperation is effected by a course of progressive elimination of the unnecessary. The formation of a large unit to take the place of a dozen smaller units would reduce the number of necessary heads by eleven. This process continued throughout the organization will greatly reduce the overhead cost. The larger number of operatives employed will enable the directing forces by specialization to utilize the productive power of the combined workers more efficiently, and thereby increase the sum of production so that each participant may receive a larger share. If the savings were divided between producers and consumers it would enable the large unit to offer its wares at lower prices than the smaller units could afford. Waiving the question of the large unit's advantage on account of the greater volume of its production, it may well afford to rest its case upon the possibility of selling its wares at a lower margin of profit and reaping its reward by selling more at a small profit rather than less at a larger profit.

The ultimate of coöperation.

In the last analysis the large unit can outdistance its smaller rival as long as the larger operation can effect an economic saving, but when the point beyond which this is possible is reached, nothing save arbitrary power can preserve it.

Society cannot afford for any reason to thwart the effort to reach the acme of economic and industrial evolution, neither can it permit abuse of power to maintain that which is economically inferior. The pathway of coöperation, in common with all other avenues of human progress, is not strewn with roses. It has its dangerous places, its pitfalls and snares to avoid. The duty to tread it, however, is plain and refusal to do so is a cowardly admission of social incapacity. It should not be presupposed that firm adherence to the principle of coöperation in any way militates against a full recognition and a thoroughly healthy development of the competitive principle. The contest need not be between the units of operation in order to develop the full expression of competition, as it can do so more completely by bringing its forces into play between the constituent elements of the large coöperative unit. To suppose that this competitive principle should be mainly used to protect the public from the rapacity of competing units is greatly to misunderstand and to underrate its true nature as a stimulus of social excellence. In the not very remote past the public mind was prepossessed with the idea of the service of competition as a police agent. The growing spirit of coöperation has destroyed its power for such service because those directing the activities of service have become sufficiently enlightened to realize that which predatory wolves long ago discovered, the simple fact that it is productive of better results to hunt in packs rather than alone.

Duty to coöperate.

Competition in coöperation.

The evolution has proceeded to a point where intentionally destructive competition is no longer possible, for regardless of law or other obstacles, the units of service thoroughly know that their best interest demands that they must function in accord with the coöperative principle. Man will act as his own self-interest dictates, and having sufficient intelligence to understand that the successful conduct of his enterprise depends upon coöperation with his fellow servitors, he proceeds to do it in the way presenting least difficulty. The recognition of a common interest between servitors, thus introducing class or partial coöperation, has in many cases had the visible effect of checking the coöperative evolution. The large unit, desiring to secure a higher margin of profit than its services are worth, based upon its own cost, refrains from passing the saving on to the public. If the cost to the public were lowered to a point at which the smaller units could not survive, the larger unit would make indisputable its monopolistic character, which would most likely have the effect of strengthening the demand that the evolution be carried to its logical ultimate—public monopoly. For these two reasons the large unit coöperates with the smaller. The latter in times of scarcity takes advantage of the public needs, puts on all that the business will bear and sells at a higher price than the large unit, but when the public need abates it reduces its prices to that of the large unit or ceases operation until times become more auspicious.

Self-interest governs.

Class coöperation.

These conditions can only be regarded as a passing stage of coöperative evolution. The many abuses that creep into the movement are likewise but temporary afflictions that society will eliminate as general intelligence develops and experience points the remedy. The pages

of history are replete with examples of evils that have affected the body politic but it also furnishes indisputable proof that many forms of wrong have existed from age to age but to be made absolutely impossible in succeeding times. Evils first exist in grossest forms and become gradually refined until they disappear. We can, then, adhere with hope to any sound principle with the assurance that the good within it will overcome the evil that may attach to it. Perhaps the greatest danger confronting the world to-day is that of arrested development. The safety and even the existence of the present civilization depends upon going forward. The evolution cannot rest. The choice left us is to proceed, insuring life and growth, or to recede again to the dismal depths from which man after ages of struggle is only now emerging.

Refining evils.

Arrested development dangerous.

The thing above all others which has aroused most opposition to the orderly development of coöperation has been its partial application. This has given rise to class interests which operate under selfish incentive and inflict injustices upon the least organized elements of society. The abuses arising from this cause have prejudiced the public mind against the principle of coöperation itself. This antagonism has found its expression in the enactments of the legislatures and the congress of the country. These unwise attempts to stay the rising tide of combination have imposed upon the judiciary the task of making law by strained construction in order to preserve the coöperative principle, and it may be regretfully said that in doing so it does not always eliminate the flagrant abuses that were provocative of the legislative attack on the principle.

Partial coöperation develops class interests.

Judicial interference.

Capitalism defined. The term Capitalism will be used to express the theory that capital or the available supply of products loaned or invested is entitled to a return for its use, and the term Capitalist will be used to designate the owner of the capital, who in the capacity of capitalist contributes no labor directly or otherwise to the use of such capital. In other words, capitalist, as here used, is synonomous with investor. If the capitalist, in addition to investing, contributes to the operation either mental or physical labor he acts in a dual capacity both as an investor and as a worker.

Capitalist.

Worker. The term worker will be used to describe one who contributes his effort to the operation, and this effort will include all expenditure of energy both mental and physical. It is intended that both labor of direction and labor of execution shall be classed together.

Land. The term land will embrace the natural creation, including all spontaneous growths. It excludes human effort.

Labor. Labor will be used to express the application of mental and physical force to produce a result and the latter will be designated the product.

In order to reach reasonable conclusions regarding the economic status an understanding of the laws underlying it is indispensable. Political economy is founded upon ethics. Basic right principle underlies it all. This moral foundation gives stability to it. The task of the economist is to analyze the complex operations of society and to make plain the divine, immutable law that governs them and to point out the effects of both its observation

Economics founded upon ethics.

and violation. This basic, ethical principle is absolute while man's relation to it is relative. The effects of conformity to this law we call good and the effects of non-conformity we call evil. Man being in a state of imperfection cannot fully comply with the requirements of the infinite, therefore his existence and acts are a series of approximations.

Man finite.

Natural law. Natural law is perfect, hence has the inherent power of enforcing itself. It has its rewards for those who observe it and likewise its punishments for those who infract it. It is in this school with its rewards and punishments that man must work out his own salvation and learn from the bitter lessons of experience what cannot be taught him in any other way, that right living is fully in accord with that principle of self interest which seeks to acquire all that may be obtained of the things that contribute to one's well being. Here, too, he learns that compensation, like an avenging Nemesis, is ever after the law-breaker, inflicting upon him punishment in proportion to his violations of the law.

Compensation.

Evil destroys itself. Happily, the beneficent Creator has provided that evil, or the effects arising from the violation of law, carries within itself the elements of its own destruction. Without just appreciation, the fact that all things are governed by law and that compensation compels obedience, administering such corrective punishment for violation as may be necessary, there is little hope of arriving at correct conclusions.

Evil an effect. Evil, primarily, is not a cause but an effect. Its existence indicates to the eye of the experienced diagnostician the existence of maladjustment in some part of the social body preventing the perform-

ance of its proper functions in a normal way. Many things which the ignorant believe to be reprehensive are entirely praiseworthy and quite essential to the welfare of society when their place is understood and the right application is made. The social problem is to trace out human instincts and tendencies and to bring them into proper relation so that society will function in a natural way, thus insuring beneficial results.

The social problem.

Coöperation, communism, socialism and individualism are the expressions of basic human tendencies, all of which are necessary in their proper spheres to produce harmonious social action. Without combination and coöperation the highest possible efficiency could not be obtained. Without communism the emotional nature with its love and sympathy would become atrophied. Without socialism the struggle for justice to the individual would cease and without individualism, individual prowess and initiative could not exist.

The task and duty of society is to ascertain the respective spheres of the basic human promptings, thus making it possible to enjoy the beneficial results of their proper uses. Unwise opposition to these principles can never destroy them for they are essential parts of human nature itself. It is toward the elimination of their abuses that man's energy should be directed. There is, perhaps, no field that would be productive of better results than patient and honest research in the further discovery and classification of these basis principles. If this constructive course were pursued we could with reason hope that society would make great strides in social organization, after which our social, commercial, industrial, and financial life could proceed uninterruptedly in human service.

Cannot destroy human tendencies.

Abnormal selfishness.

The abnormal selfishness of the intelligent few superinduces a biased leadership that misguides the ignorant many, making the correction of abuses an excedingly difficult work. This obstacle to progress furnishes the explanation of the unfortunate fact that the world has always made a practice of crucifying its saviors, and makes eternally true the observation that without the shedding of blood there is no remission of sins. Without sacrificial effort there can be no salvation in this world, whatever may be said of the next.

Sacrificial effort necessary.

He who would see light in economic and social matters must, for the nonce at least, cast behind him his interest, his prejudices and his regards for that most powerful yet intangible thing called public opinion, and like the true scientist proceed with unremitting zeal to his objective—the discovery of truth.

CHAPTER II.

LAND.

Land is the basis of all life, vegetable and animal. In an economic sense it may be said to embrace the natural creation except man. The latter's power over it consists largely in the ability to change the form and place of matter. He can transform it from unavailable to available forms but can add nothing to it nor take anything from it.

Power over land.

Man being a social creature, land is his common heritage. God created him and placed him under the law of labor. His existence, development and happiness depend upon his obedience to this law. Not only is it his bounden duty to conform to it but it is his inalienable God-given right to do so. Production being the effect of force applied to land and man's life being dependent upon it, the right to land rests upon the same ground as the right to live. Man has an indefeasible right to land upon which to expend his force in order that he may carry out the law of his being and produce enough to sustain life. Air and water are no more essential to his existence than land. None will contend that man has a right to sell his own life or buy the life of another, yet, when a system of vested rights and land tenure is adopted, all except land owners are divested of their right to land and they live thereafter by the permission of land owners.

Law of labor.

Common ownership of land.

This primal right to land is not exclusive but appertains to every human being, thereby placing society under a compelling obligation to provide proper methods for the enjoyment of it by all in such manner as will not impinge upon the rights of any.

Let us suppose that A and B are the only inhabitants of the earth. They own it in common. B sells his undivided one-half interest to A for a satisfactory consideration. This in law would give A an indisputable title, making him the sole proprietor of the earth. B could only live upon it by and with the consent of A. He could only apply his force to land in such manner and upon such terms as might be prescribed by A. Let us consider, too, that the right to possess carries with it by implication the right to dispossess. If A thinks proper to require B to vacate, where will he go? Did not B, when he sold his interest in land, barter away his right to life itself? When man sells his right to obey the law of his being and can only conform to it by permission of others does he not violate nature's law and do violence to the mandates of his Maker?

Men born free and equal.

That all men are born free and equal is now and has always been true. Not that any two of them are born with equal capacity or talent, but that all are born free to apply the mental and physical forces with which God has endowed them to carry out the law of being. In other words, they are equal in this, that God intended that they should have equal opportunities to make use of their powers to work out their own destinies.

The right to life.

The right to live, move, and have our being, to apply our force to land in order to produce is deeply fundamental. We have no more right to sell it than we have to forfeit our lives for a consideration. No court would enforce a contract involving the direct sale of human life. It would declare such a contract void as being against public policy.

Land, being a common heritage cannot be regarded as property having an exchange value. It may be observed, however, that labor belongs to the laborers and that force expended on land gives results. These results are the property of him who did the work. Therefore, it is only the land itself that has no value as property, but the improvements resulting from human labor are clearly property and are therefore legitimate subjects of exchange.

The results of labor, property.

If A resides upon a tract of land, fences and ditches it, enriches it, plants trees and builds houses upon it, not only would it be an injustice to allow B to possess and enjoy without compensation the benefits arising from A's labor and forethought, but it would also be a flagrant violation of the ethical principle that demands that each worker shall have the result of his labor.

No conflict of rights.

The reconciliation of the apparently conflicting rights involved in the common ownership of land and the individual ownership of improvements presents to many minds a most serious difficulty. The conflict is more apparent than real. When the principles are thoroughly understood it will be found that there is no conflict between them but that both are sound and practicable. The important points are that the individual's right to that which he produces shall be amply protected, that none shall enjoy the fruits of his labor without making due compensation, and that none shall possess vested rights in that which is the common heritage. The right of the workman to all the products of his labor is clear, and the right of all to a just participation in that which by natural law is common property is equally obvious.

Democracy rests upon common rights.

From this doctrine of common rights we deduce the underlying principles of democratic government, which necessarily presupposes the existence of a social unit. Such a form of government cannot exist except in so far as a common interest runs through its institutions, and it is only under such conditions that the individual can hope to come into full possession of his right to live, move, and apply his powers in accomplishing the purposes for which an omniscient God called him into being.

Opposing theories of the creation of man.

In this connection there exist two theories. The one, that man is a homogeneous creation and that ethnologically there exists no natural reason to limit the application of the democratic principle. The other rests upon the assumption that there were separate creations of man, necessitating the restriction of the application of the democratic principle to each race in its own jurisdiction. Under this theory the principles of democracy cannot be applied to a mixed society but are practicable only in territories in which racial homogeneity exists. Where different races inhabit the same territory uniform principles will only apply to the stronger race, forming a democratic oligarchy. If this theory is correct and democratic government is to obtain, it clearly makes necessary the segregation of races, assigning each to its part of the earth's surface where it may develop its own civilization untrammeled by racial antagonism. The purpose of referring to these different theories at this point is not to discuss their merits, but simply to point out that the acceptance of the theory of separate creation, while it may

Division of the land.

make necessary the acceptance of the principle of division of the earth, does not in any way militate against the contention that land is common property.

Vested rights in land destroys equality of right.

Once granted that vested rights in land are valid, it must be admitted that men are neither born equal nor free, but that they must live and share in the benefits of natural wealth by permission rather than by right. Such an assumption would give the proprietor having a natural monopoly the right and power to compel his fellow men to labor and accept in return only such part of the result of their labors as the owner might prescribe. Such an arrangement penalizes the worker for carrying out the mandates of the natural law under which he has his being. Under no circumstances can it be admitted that one individual should have the right to take without compensation and without consent the products resulting from the labor of another. Neither can it be admitted that society, acting through its agency, the government, has the right to take the products of the individual, except so much as under equal and uniform laws may be necessary to discharge a common duty or provide for a general service. When, therefore, individuals acting singly or jointly seize upon the treasures that the Creator has stored in the bowels of the earth for the common use of its inhabitants and proceed to demand that mankind shall pay tribute for the privilege of using this wealth created for all, they, by force of mistaken theory supported by human law, wrest from the dispossessed part of mankind a part of their products without giving anything in return. It is of course understood that this exaction is confined to the part received for the ownership of the mines exclusive of the cost of mining and preparing the product for market.

Rights of the individual in property.

Abuse of the common right.

Think of the immense power that the private ownership of natural wealth vests in the few and of the untold deprivations and misery that the abuse of this power occasions! Can one conceive that an omniscient Creator decreed that these things should be owned by a small number of the inhabitants of the earth and that the greater part of mankind should enjoy them, if at all, by sufferance? Even in this enlightened age there are some of the possessors of natural wealth absolutely essential to life and happiness who have brazenly proclaimed that divine providence has bestowed this wealth upon the select few, which by implication declares that if providence and its vice-gerents should so ordain the people must tamely acquiesce.

If A owns the vested right in the coal lands and B owns the iron lands, can they not refuse to exchange products and deny the rest of the world access to them? In such cases have they not the right to place their own estimate of value upon these things and compel mankind to meet their exorbitant views or, failing, do without them? But what are the rights of the people, the hopes of a progressive civilization, yea, the lives of millions, compared to the sacred white elephant of vested rights in real estate?

Land existed before human law came into vogue. Man's law is simply the embodiment of his conception of the rights that should obtain in the existing state of civilization. The institution of vested rights in real estate was peculiarly conventional. There was nothing particularly sacred about it, and like other man-made laws it should be continued only as long as in the judgment of the people it represents the most practicable approximation to the natural law governing the case. It has behind it the power of precedent and long existence. But so had human slavery.

The wisdom of moving carefully in the matter of changing old and well established systems is fully recognized, but this laudable conservatism should not be allowed to degenerate into indiscriminate acceptance of hoary wrong.

The contention here is not that existing customs should be abolished *in toto* and an entirely different system introduced, but the purpose is to urge the acceptance of the correct premise and to insist upon the right to make application of the correct doctrine whenever public exigency may make it desirable. The establishment of the soundness of the principle is the important point. The acceptance of this premise by no means commits society to any particular degree of application of it any more than the acceptance of the right of the public to introduce a system of police supervision commits it to the policy of having all human activities supervised. In thickly settled communities the police force becomes highly necessary, while in the more sparsely settled districts their services would be useless. Just so in the application of the doctrine of the common ownership of land, it would stand society in good stead in exceptional cases while it would not be of practical importance in many others.

Conservative change of system.

Once the true principle is accepted, there appears to be no valid reason why the change of system should not come about in a conservative way without harm to any except the immediate beneficiaries of public wrongs. The application of the new principle should be confined to those cases in which the public exigency requires it. When individuals or combinations of them seize upon natural riches and proceed to impose exactions upon mankind, the assertion of the true principle will stand the people in good stead.

From the premise that land, with all that is stored in it and all that it produces spontaneously, is a common heritage made by the Creator for the common benefit, more enlightened and equitable deductions can be drawn, viz., that the minerals, ores, and timber are common property, and that he who applies his force to their appropriation owes compensation only to the State as the representative of society, and that he has no ethical right to add to the labor cost of his products anything except so much as may be necessary to cover the amount paid society for them. This public charge for material and a proper wage for his labor are all that should be added to the product. It is, of course, admitted that in the computation of the wage due weight should be given the risk involved and a proper insurance charge added, which, if correctly done, will only serve to cover actual losses. The payment to society for the material, the amount of a fair wage and the correct insurance charge compose the correct price of the finished product. If more than this is added it cannot be justified upon ethical grounds, and such excess becomes an exaction which society must bear on account of the social maladjustment that makes it necessary or possible.

The desire of the individual to swell his income by the increase of this inethical charge, with mere possession as the motive, can only be regarded as a moral delinquency, that is to say, a wish to possess that which belongs to another and a willingness to acquire it without giving adequate compensation in return. When this attitude of mind is thoroughly analyzed, it will be found to rest upon the same basis as robbery. Any economic system that functions on this principle will necessarily give rise to the spoliation of the weak for the benefit of the strong.

Spoliation of the weak.

The common right in land, inalienable in its nature, rises paramount to the title that any Esau can possibly make. This doctrine of common ownership of land is not new and is still recognized to a limited extent in the law of eminent domain. As the public good demands land, the law provides under certain conditions for its condemnation. It is true that the application of this principle has been more or less restricted, the reason for which may be found in a lack of the recognition of the necessity for it. That all the relations of land, labor, and the rights of individuals should be regulated by law, whenever recognized as socially necessary, is readily admitted. That the law should provide safeguards to protect the industrious toiler against the cupidity of predatory neighbors and insure him the safe enjoyment of the fruits of his labors is patent to all fair minds; but it is equally plain that safeguards should likewise be provided against the injustice that results from a seizure by a part of the people of that which belongs to all the people.

Eminent domain.

Protection by law.

That anyone should have the power to hold unimproved and uncultivated land while homeless thousands stand ready to occupy and employ their productive force upon it is so palpably wrong that no argument should be necessary to prove it. One of the most indefensible practices resulting from the doctrine of vested rights is speculation in land. From the small lot to the vast forests, it is a common practice for the speculators to withhold this land from use. Like the proverbial dog in the manger, they will not use it themselves nor permit others to do so except upon terms highly favorable to themselves and exceedingly unjust to those who of necessity must submit to the imposition.

Speculation in land.

Such an act is an unrighteous seizure of the common possession and is for the purpose of holding land out of use until the labors of others have developed the adjacent territory, or until the public need for its use has become sufficiently pressing to enable the holder to levy tribute in the way of profit on land. This practice alone should be sufficient to convince unprejudiced minds of both the injustice and the unwisdom of the doctrine of vested rights. The possession of a piece of land around which a million people are gathered brings to the owner untold wealth in the exchange value of land for which he has not so much as lifted his finger. We know that there is no legitimate way that wealth can be acquired except by labor or gift. Hence, as the owner of land reaps a rich harvest where he has not sown anything, it is fair to assume that there is something radically wrong in the proposition.

Retards development.

Not only does this doctrine permit the few to appropriate the value created by the many but it permits the landowner to retard the progress of desirable aggregation that would otherwise be possible. It is often the case that useful ground is kept out of use for years until some fortunate death removes a social incubus and makes possible improvements that would have been made years before had the land been free. The proposition that all men should have access to land for the purpose of labor and use is well founded, but it is plainly in derogation of the common right to permit anyone to hold land out of use.

Damages under eminent domain.

Another important deduction from the premise that land is a common heritage is, that whenever the right of eminent domain is to be exercised, the measure of the damages to the private holder should be a fair compensation for the improvements on the land. That is to say, the

holder should receive full compensation for everything on the land that has resulted from labor, but the land itself should be considered without exchange value because the fee resides in the whole people and such title cannot be rightfully sold. When society needs land for a public purpose, in justice it should be permitted to take back its own without cost save just compensation for existing improvements.

The question naturally arises as to the justice of taking for nothing that which has been bought and sold for generations. Have not these sellers and purchasers, acting in good faith, conformed to the law and custom of the land, and thereby cured whatever defect may have existed on account of the original common interest? The common right is inalienable, hence could never rightfully be sold. Such transfers of title were and still are against the natural law that has always existed. When the king or sovereign held the title, he did so not in fee but in perpetual trust for the benefit of that immortal ward called society, and his power over it mostly consisted in the right to subject the holding to beneficial use. Any attempt, therefore, to alienate title by vesting it in any part of society to the exclusion of the rest was an abuse and a betrayal of a perpetual trust which no human law could make valid even if it were sanctioned by the unanimous consent of the living members of society, for the very simple reason that, while they themselves might be willing to such a transfer of title, they would have no right to impose their will and judgment upon succeeding generations. The latter would still have the right to claim title under natural law.

Public's right inalienable.

Society immortal.

Under human law slavery existed. Men and women were seized and sold as commodities in the market. They were property, yet when the public conscience and intel-

ligence were sufficiently developed to recognize that the institution was in violation of the natural right, it was fully wiped out of existence and the holders got nothing. Even now if land is sold and bought in perfect good faith and the third party comes along proving a prior right, the law gives him the property and offers no redress to those holding the land except recourse upon the parties from whom it was purchased. In the case of land, this recourse would likely lead back through a long line of individuals, finally resting with the State which had granted away the people's heritage for a paltry consideration.

If, then, the statute law does not protect the buyer against claimants proving priority of title, by parity of reasoning, the people, when they can demonstrate that their title as common owners is better than that of the private holders, should receive their own again without cost other than the amount the State originally received for it. While it is true that the individuals now owning the land may not be responsible for the inauguration of the system, it is equally true that the people at large who are injured are no more responsible. Since the private holders have reaped the advantage accruing from this violation, and the people have suffered all the loss occasioned by it, there is, in spite of a degree of injustice in special instances, as is usual in a process of readjustment in a general way a more or less accurate division of profits and losses. This objection, then, does not furnish a valid reason against the reëstablishment of the correct doctrine.

Repossessing mines, wells, etc.

Should it ever become necessary for the general government to take over the mines and wells of the country, it would owe to the present owners the full cost of all existing improvements,

but for the ore beds and oil sands nothing as a matter of justice should be paid. It is quite conceivable, however, that it might be good policy to compensate owners for the land in a reasonable way, not as a matter of right, but as one of expediency.

Our constitution provides that private property shall not be taken for public use without just compensation. The Congress has the power to prescribe the method of ascertaining such compensation. Any change of principle in this regard must necessarily be accomplished by constitutional amendment. If such change were effected, restoring the fee to the public, making its ownership of natural wealth clear, it would still, perhaps, be expedient to provide by statute for taking over land already held by private parties, and for paying the holders the value of improvements based on cost, or cost of replacement, whichever was the lower, and a fair price for the land not in excess of actual cost to the holder. Due deductions, however, should be made for whatever depletion may have occurred in the natural resources since the date of the holder's purchase. Such payment for the land itself should be regarded as a largess to soften the rigors that would necessarily follow the too strict enforcement of the correct principle. In ascertaining the amount of such largess no element of profit or increased value based upon prospective gains should be allowed to enter.

There is nothing in the doctrine of common ownership of land antagonistic to the view that each individual, under the law, should hold and till the land, possess and enjoy without molestation the fruits of his labor. It only denies him the privilege of seizing and holding land which he will not use himself nor permit others to use. Neither will it permit him to take possession of nature's riches and force others who are entitled to their part to pay him

an exorbitant price in order to get them. To assume that the Creator placed minerals, metals, and oils in the bowels of the earth to be the exclusive property of a few of his creatures, thus creating a private interest in these essentials of human progress and happiness, denies at once the sublimity of His character and brands Him as the author of injustice. Let us suppose that there existed a tropical country that produced spontaneously everything necessary to the support and happiness of the population. Would there be any justice in a system that permitted a part of the inhabitants to monopolize these natural gifts and impose upon the rest the terms upon which they might participate in the provision that nature had made for all?

Effects of private ownership of land.

A contrast of the two theories brings out the salient points. Under the doctrine of vested rights land is made property, hence has exchange value. This makes it the subject of purchase and sale and introduces fluctuation, which induces speculation. It follows that land will be bought for no other purpose than to reap the advantage of increased value. The result of this is to curtail the use of land. This is accomplished in two ways: first, by holding land out of use, second, by increasing the price of land, thus making it more difficult to those wishing to put it to proper use to do so on account of the increased amount of reserve capital necessary to accomplish the object. One wishing to farm twenty acres may have sufficient reserve to furnish all the necessary teams, tools, and food supply but has nothing to pay for land, hence is debarred from engaging in production. If he rents the land from the owner he must give a part of his production for the privilege of working. There is nothing better established than that the laborer exerts himself in the proportion that he re-

ceives the result of his labor, hence the ownership of land by others than the person doing the work is a repressing influence upon production itself.

Effect of land value.

The effect of land having value is to reduce the number of independent laborers and correspondingly to increase the dependent class. It abridges the opportunity to till the land upon terms that admit of the laborer receiving the full measure of reward and swells the number of laborers who must of necessity apply their force to land by permission, in return for which they must surrender a part of the production. The direct result of this is to create a dependent class who, if born with equal rights, loses them in early infancy. The general effect of this erroneous policy may be seen in the large area of uncultivated fields which might be held in small quantities by thousands who would hail the opportunity of having a home where they might live on the fruits of their labors.

Considering land as property gives it a prospective value that is taken into consideration and forms a certain part of the present worth, thus tending to make land more valuable than the present demand for use would justify. The immediate effect of high land value is congestion of population. In the hamlet where land is cheap the humblest have yards in which children may play and enjoy the fresh air, but in the large cities where every inch of ground represents a high value, the poor are stowed away in hovels like sardines in a box and even the wealthy have to practice economy in ground.

High land value acts as a repressive influence on development. If the land cost ten thousand dollars and the building cost the same it is clear that no one can build

who cannot command the combined sum. If, however, the land cost nothing, it would require only one-half the amount to produce the same result. The tendency to overcrowd in cities is in large measure attributable to the policy of making land property. It is manifest that under such circumstances the rich would avail themselves of this opportunity to oppress the poor.

Go around almost any town and observe the unused land which would be sufficient to furnish homes and gardens for thousands who are yearning for a spot upon which they can locate their families, which are now compelled to live in dens of immorality and vice. These unsanitary and sordid abodes of squalor and misery demonstrate, as perhaps nothing else can, the baseness and infamy of human greed. It really seems that man, for it is an indictment of the race, will cling to the unjust advantage though it sink a part of the human family into perdition. If the waste lands around almost any city were open to cultivation there could be produced upon them a large part of the food supply of that city.

Infamy of human greed.

The business world has long since realized the truth of this doctrine, and communities in conformity to it offer free sites to enterprises. If, then, the principle of private monopoly in land is inimical to progress and places a burden upon enterprise, it clearly becomes the duty of society to substitute a better doctrine.

A better doctrine needed.

The theory that land is a common heritage created by a just God for the benefit of all His people gives quite different results. Under this conception land has absolutely no exchange value; it can neither be bought nor

sold. No one cares whether or not a given place will be important ten years from now. The interest in land is confined to questions of present use. If no present use can be found for it, it excites no further interest and it is left free for the next comer who will decide the question of occupancy of it upon grounds of utility. Under this theory the barren fields and lots in and near cities would disappear as if by magic. Laborers would come forward anxious to use them for purposes of dwellings or gardens. Where the unsightly lot now lies belonging to some estate in process of legal spoliation which may cover a period of many years, there would spring into existence a smiling garden pleasing to the eye, furnishing fresh food to hungry children that under present conditions must exist upon meager rations.

Effects of common right in land.

If the human family could only be made to see the evils growing out of this unjust system—a conventional Moloch feeding upon the weaker members of society—it would wipe it out of existence. Man is gregarious. He prefers to live in communities. There are manifold advantages in the coöperation that this makes possible, and if this matter of common right in land could be rightly adjusted it would increase the possibility of concerted action and greatly augment the stimulus so necessary to social elevation. It is true that the destruction of monopoly in land would injure pecuniarly those now receiving the benefit of the unjust exaction, but even that would be more than repaid by the moral elevation of the whole that would follow the introduction of the more ethical practice. We flatter ourselves that we have advanced, that we have developed beyond the evil that assailed our

progenitors in the dark ages. Is this true except in degree? Have we destroyed the principle upon which those ancient abuses rested?

Feudal tenure. In feudal times the holder of land held it subject to military service, the fee remaining in the lord. What difference in principle exists between the lord of feudal times and the holder in fee simple of to-day? Absolutely none. Vassalage, though refined, still remains. One class is still the servant of another class. If land had no exchange value there are few cities that could not be supported by the product of the vacant ground within and around the corporate limits. Once give it exchange value, the amount of capital required to hold it is increased to the extent that but few can be proprietors and the cost of operation is so advanced that the margin for the agricultural wage disappears. The result is that the tiller of the soil is driven back to more remote regions where the exchange value of land is not so great. Surely it must be a mistaken policy that drives production away from the point of greatest need. There is certainly room for honest inquiry when the effect of any policy makes the distance greater between production and consumption. They are twin sisters. The closer they are together the better for both.

Production driven farther from point of need.

The greatest blessing resulting from improved methods of transportation is the facility for bringing the producing and consuming elements of society into closer relation. There are many advantages to be derived from aggregation that cannot be had from sparsely settled communities, and the removal of the evils that have hitherto impaired urban growth would likely lead to an advanced civilization that is now impossible.

It is the idealist only who fancies that these things can be brought about easily. They must come, if at all, by the slower but surer methods of evolution. The enlightening and uplifting influences of education must smooth the rough places and the birth of the new era must be by stages. In vain will the ignorant and impatient expect the benefits of this change to come by harsh and revolutionary methods. It is one thing to subscribe to a broad principle but quite another to construct the methods of transition from one premise to the other. Many ways have been suggested for the cure of land monopoly. Among them have been included everything from the anarchistic theory, which would destroy all law and the rights enjoyed under it, to the single tax plan of Henry George.

Evolutionary methods of correction.

If permanent and satisfactory results are to be expected, whatever is done should be done by the people acting through their own organization, the government. All steps taken in this direction should be of a tentative character. While fully committing themselves to the principle, the people should be cautious and conservative in its application. If the man is sick and the doctor is absolutely sure of both his diagnosis and the proper remedy, he is careful to graduate the dose to suit the physical condition of the patient and thus restore him by degrees without incurring the risk of dangerous reactions. The government's taxing power does not commend itself as the proper agent for curing this evil. The proper use of this power is to collect revenue, and any other application of it, even though with benevolent intent, is apt to result in a prostitution of power and an imposition upon the people. Perhaps the best point of attack in the case under discus-

Conservative methods best.

sion will be found in monopoly holdings of lands, wells, and forests. The industrial evolution has proceeded far enough in these things under private initiative to demonstrate, not only the desirability, but the urgent need of making this change. Beginning thus with the large units of production necessarily monopolistic in character, experience will indicate the necessary expansion of the principle.

CHAPTER III.

PRODUCTIVE LABOR.

Labor, the law of being.

The correlation of man's energy, mental and physical, for the purpose of production, represents his effort to conform to the law of being which makes life depend upon exertion. This energy may be divided into mind force and material force. They are both present in the make-up of every normal individual varying, of course, in degree and intensity.

The erroneous classification that allots mental force to one class of workers and physical force to another is responsible for much of the confusion of thought and misunderstanding that exist on this subject. There is no exertion of physical force, if it is to be productive of results, that does not require the exercise of the mind power of the worker. The more intelligently physical force is applied the more effective it becomes. The invention of the plan may call for only mental effort but the execution of it requires the exercise of both mind and body, even in the most inconsequential particular.

Forces of mind and body.

Effectiveness in proportion to intelligence.

Manifestly any arbitrary division of human beings into two classes, the one using the mind and the other the muscles is entirely at variance with the facts of the case. It follows that deductions drawn from such an unsound premise would most likely be erroneous. In the world's workshop there is need for some whose tasks will require a larger degree of mental effort while others will be called upon for a larger share of physical energy. In all cases, however, each worker must employ both if he is to be effective. Whether the individuals use their heads or

their hands most does not alter the fact that all of them are co-laborers in doing the world's work.

Mental and physical powers may be considered as the positive and negative elements of man's make-up. Both are powerful when combined. They are essential to each other and when normal act in harmony. Each is fruitless by itself. The mind force plans, and physical force executes; the one is the theory, the other the practice; the one gives the law, the other executes it. They must act together because the law unexecuted is only a mental conception, while execution without conformity to law is only chaotic disturbance.

Theory and practice.

When these forces are acting in harmony the mind plans, organizes, and directs, while the physical force acting under instruction makes the implement and wields it to bring about the change of form in substance that we designate as production.

Man without creative power.

Man with all his boasted wisdom has absolutely no creative power. He is surrounded on all sides by the impassable barrier of natural law. His highest accomplishment is found in the exercise of his inventive faculty that searches out and comprehends the law, making such an application of it as will result in facilitating the change of matter from unavailable to available forms.

The effort to harness the forces of nature and cause them to serve man is peculiarly the work of the mind, which is simply endeavoring to relieve the body of the burden and drudgery of physical labor. Nature's stores are boundless and indestructible. In this laboratory man may carry matter through all its varied forms in preparation for such beneficial uses as investigation and ex-

Man's imperative duty.

perience may have indicated. This is the imperative duty of man. Mental development tends to an improvement of methods and the invention of new processes that serve to increase the effectiveness of labor.

The social unit.

Regarding society as a single unit each member of it comes under an obligation to do his part effectively, since the success of the whole is dependent upon securing the proper results from each component part. It should be remembered, however, that society is naturally divided into two classes; the one self-supporting or capable of self-support, the other dependent. To the former must be applied the socialistic principle of distribution, giving to each individual as nearly as may be the part of the production contributed by him, while the latter must share according to the communistic principle that takes from the strong a part of his production and distributes it to the dependent according to the need.

Two classes of society.

Wards of communism.

The children, the weak, and the aged are the wards of communism. It is society's duty to provide for this class either through the agency of the family, the locality, or the State, and no harm comes from it so long as such provision is confined to the genuinely dependent. These non-workers must be excepted from the laboring class. Those who eat yet work not but live upon the income on capital, whatever classification they make for themselves, do as an economic fact belong to the dependent class and are charges on the workers.

Not only must laborers work but they must do so efficiently. In order to meet this requirement one must devote both time and talent to the accomplishment of the task in hand, avoiding either extreme of overwork or underwork. The goal

Measure of work.

to be reached is the maximum production for the amount of energy that can be expended without overtaxing the worker, since this would dissipate the reserve force necessary to keep him in proper condition to continue his efforts. It is not intended that the worker should be considered a mere machine to be kept in repair and operated until worn out. He is a machine and a very complex one but he is more than that, he is a human being, and mere physical production is only a method of providing means for that more important result of developing the mind and soul with which the father, the mother, the citizen, should be endowed.

Complexity of man.

"In the sweat of thy face shalt thou eat bread" was not a curse put upon man but one of God's choicest blessings. This apparently stern necessity contains the elements of man's success, yea, his salvation. Honest work is at once the most important factor in human development. Not only must man work efficiently, but what is of equal importance, he must do so in accord with the demands of utility. If civilization is to advance, the workers must conform more and more closely to the requirements of utility. Since what is one man's food is another's poison, the task of drawing an exact line between work of utility and that of non-utility is exceedingly difficult, not to say impossible. The establishment of the doctrine that utility should govern the selection of the kinds of things to be produced, or at least be an important factor in the decision, is perhaps all that can be hoped for.

Demands of utility.

In a general way, the thing may be said to be of utility if its use increases the average good of man while productions that do not measure up to this standard may be said to be of non-utility. In the exchange of labor it may

Works of utility.

occur that one party to the exchange gives work of utility for that of non-utility. The man making rum may exchange it with the woodchopper for wood, thus exchanging a work of non-utility for one of utility and transferring the economic loss from the rum maker to the woodchopper. The owner of a house, in building, exchanges with the carpenter and other workers products of utility for others of the same kind in so far as the building may be in accord with the demands of utility, but all parts which may be in excess of those requirements represent an economic loss to the owner.

Economic waste.

This economic waste is especally noticeable in the construction of buildings for public use. Instead of these buildings being in accord with the simple demands of utility, which look mainly to the practical use to which they are to be put, in many cases the cost of the unnecessary appears to exceed the cost of the useful. Charity is preached in buildings, the construction of which involves a waste that would go, if saved, a long way towards alleviating distress that might not exist at all if the economic law had not been violated. When it is considered that work of non-utility is a waste of effort, hence a loss to humanity, it becomes obvious that such losses are transferred from the stronger to the weaker. This shifting process continues until the burden finally rests upon the weakest elements of society. This being true, the impoverished mother whose milk fails to furnish proper nutrition for the babe may with justice look upon the waste involved in the construction of the towering edifice as responsible in a measure for her deprivation.

Losses transferred to the weak.

With a clear understanding of this economic process it requires but little stretch of the imagination to picture

the vainglorious pile composed of brick and mortar to the extent of its utilitarian use, while its vaulted domes and towering spires are artistically constructed of the interwoven bones of dead infants who have fallen victims to this violation of economic law.

The cry is for ornament, but when we look through the gaudy curtain and see conditions as they really are, the tragedies and the suffering, the momentary pleasure to the eye and the gratification of exulting pride little compensate for the sickness of soul that seizes us. The disregard of the demands of utility runs through society; it shows in architecture, the dress, the equipage, and even in the funeral procession.

Beauty is useful.

It is entirely true that man cannot live by bread alone, for there is implanted in him a love of the beautiful which must of necessity find its expression in the products of his hand. It is well, however, to remember that there is no antagonism between simplicity and beauty. It too often occurs that the ornate and gaudy are the products of the attempt to create the beautiful rather than the beautiful itself. Beauty has its use, nor need it be at the expense of utility.

Ugliness not a virtue.

There is no economic reason why things should be unsightly, but on the contrary, there are many reasons why they should be as comely as possible. It is here insisted only that the standard of the esthetical shall conform as closely as possible to good taste and good sense. When the lady's hat is composed of a few dollars' worth of material designed to give comfort and protection and many dollars' worth of plumes, appendages and gewgaws that would do credit to a savage belle, there arises a serious doubt as to the wisdom and propriety of the construction.

Much of the effort at ornamentation, instead of being due to the love of the beautiful is much more likely to stand out as the manifestation of that silly vanity that would appeal to the admiration of some and to the envy of others. Women are perhaps in this respect most culpable. The extravagant debutante of to-day differs but little from her uncivilized sister of the plains who with her tinsel and red shawl sits in state to receive the adulation of her votaries.

Silly vanity.

It is to be hoped that man may advance to the point that dress may be for comfort and health; when the buildings will be erected for the use to which they are to be devoted; and churches will be constructed for the purpose of furnishing accommodation to those who attend them to hear the exposition of God's law. When this stage has been reached the church building will likely be regarded as so much brick and mortar put to a good use rather than a sacred edifice reared in honor of the Creator, and its attendants will realize more clearly than now that the true temple of God is within themselves and that its adornments must consist in the development and consecration of their own social and spiritual lives.

The temple of God.

No surer sign of decadence in a nation could exist than that evidenced by an increasing tendency to indulge in things of non-utility. The nations that offer the widest selection in objects of former splendor as a rule evince the greatest lack of ability to keep abreast of present progress. When one considers the immense amount of waste involved in gratifying the unwise wants of the world it is astonishing that the evil effects are not more in evidence than they are.

Signs of decadence.

Difference between man and beast.

The power of appropriation of nature's products is common to both man and beast. The dividing line between them seems to start where the exhaustion of the naturally prepared food supply begins. The beast can go no farther and starvation begins its remorseless task of adjusting the numbers to be sustained to the available food supply. Animals, with the exception of the few that store food, consume the available supply and make no provision for future needs. Man, on the contrary, on account of his superior intelligence and foresight, not only avails himself of the bounty which nature has prepared but develops the power to facilitate the change of matter into desired forms that serve as means of future subsistence. He not only consumes the berry but he transplants, fertilizes, and cultivates the vine and increases the quantity of berries. He takes the unavailable matter and changes it into such forms as will make it capable of being assimilated. The more intelligently man assists nature in the transformation of matter the more clearly is the differentiation between him and the lower animals established.

In primeval times when man roamed wild, digging roots with his fingers and eating the wild berries, there was little difference between him and his cousin-german, the monkey. When his intelligence, however, had developed sufficiently to enable him to harness the falling waters and bridle the lightning, thus compelling the natural energies to do his bidding, he soon outstripped his kinsman.

Since labor is absolutely essential to augmented production and since this form of production is the distinguishing feature between man and the brute, it becomes

Man's moral duty to labor.

the moral duty of man to labor and fulfill the law of his being in order that he may rise superior to the brute creation. He who violates this law of labor, in the degree that he does so must lose those high qualities of mind that obedience to it superinduces and become bestial in character. The old adage that an idle brain is the devil's workshop is founded upon this truth. It follows that he who ekes out an existence without complying with the law of labor, having the ability to conform, is either a robber or a pauper. Either he takes that which does not belong to him or lives upon the charity of others.

Idleness is pauperism.

Coöperative labor.

Not only is it man's duty to labor, but he must labor effectively. The penalty for both idleness and non-effective labor is want. From the premise that the law of being is effective labor, it follows that men should labor together when the joint action would give more effective results than individual effort. The reason for combination is found here. To this law all coöperation owes its origin, and so long as it results in effectiveness its foundation is indestructible. A successful effort to destroy it would move the hand of progress backward, degrade mankind and destroy the hope of elevating humanity to that plane of useful achievement which its endowments make possible. In obedience to the law of effectiveness it becomes man's duty to eliminate all ineffective labor because it is an economic loss that must react upon all.

Ineffective labor.

Any improvement in machinery or readjustment of labor that gives more effective results is in accord with the law of man's being and will contribute to his advancement. In this social laboratory of the world in which

Man's common interest in labor.

mankind is engaged in the transformation of matter from unavailable to available forms each individual has his task. Yet all are definitely and vitally concerned in the character and efficiency of each part of the work. Running through the whole operation is a common interest in the final outcome. This common interest rests upon broad ethical grounds. Necessity has driven man to employ joint effort because a higher degree of efficiency was imperative.

Effectiveness is the touchstone by which all labor, whether individual or collective, must be tested. If labor is non-utilitarian in character, or if utilitarian, yet not in the highest degree effective on account of deficiency in effort or lack of proper organization, it stands condemned under the economic law either as a waste of effort or a partial waste which inflicts injustice upon society. In such case, this labor should be diverted into proper channels or brought up to the required standard of efficiency. Many things indicate that there exists an overruling necessity that compels man to conform to the requirements of natural law. This fact suggests the query whether without this compelling necessity social evolution could ever take place. It appears probable that the human family has advanced very little farther than circumstances have compelled it to go. It is not improbable that the creation is moving to the fulfillment of a preordained plan which may leave to man the restricted choice of following it under the direction of reason, or being compelled to go to the same objective under the lash of a relentless necessity. If this assumption be true, it furnishes the reason for the revolutionary outbursts that take place from time to time, bringing about fundamental changes.

Better adjustment of labor.

Social necessity forces the evolution forward.

Necessity forces man to conform to the law of efficiency, and the more imperative the need the closer the conformity. When the stage coach was the method of transporting passengers the loss of a few hours was not a matter of much importance, but when the great trunk lines came, operating under the necessity of making their connections at fixed times, it became necessary to count the minutes. The merchant at the country crossroads may entertain his customers with discussions of current affairs, but when he changes his location to the metropolis and undertakes to serve the throngs that he finds there he comes under the necessity of adopting methods that admit of little diversion.

Combined effort not only makes possible greater effectiveness but compels it, and the larger the aggregation the greater the compulsion. The small band may straggle but the large army must move by rule.

As man is brought into closer relationship, interdependence grows greater and the need of closer conformity to the law of effectiveness becomes imperative. The origin of this increased effectiveness is in the mind, hence the more it is enlightened the greater will be the incentive to conform; therefore, an enlightened, educated people will produce more than the ignorant. The former, realizing the benefits to be derived from a labor-saving device will quickly adopt it, and will as readily effect a readjustment of labor if by so doing the greater effectiveness can be secured, because they appreciate the fact that increased production results in the promotion of the general welfare. An ignorant people will refuse such improvements upon the theory that they will decrease the amount of labor to be done, thereby depriving the laborers of a part of their opportunity. The former realize

The mind the point of origin.

that production is the desideratum, while the latter place the stress upon the opportunity to labor rather than upon results to be obtained from it.

To state the case differently: the difference between the man and the brute is the former's power to change the form of matter so as to make it available for the support of life. Man's power of augmenting production comes from his superiority of mind. The greater the facility he displays for the accomplishment of the purpose the higher he rises above the brute. As his intelligence expands he demands a continual elimination of the unnecessary, a better adjustment of the productive units, and a combination of forces when this is more effective than single effort. When these more efficient methods are available, making possible the accomplishment of greater results in shorter time, it is an economic crime to impose this loss upon society.

By combination all can have the benefits of certain results that none can have if the workers continue to act individually. The deduction from this is that the law of collective effort is mutual effort for mutual benefit. The law of being requires that all who are capable of doing so shall labor and that they shall do so in the most effective manner, combining their efforts whenever such joint action will result in greater efficiency. It will be observed that there is no place in social economy for the idler and shirker. He is a social outcast against whom compulsory process would be justifiable.

Mutual effort for mutual benefit.

Common responsibilities of workers.

The protection and support of the dependent classes, insuring the merciful care of the weak, afflicted and aged, and the perpetuation of the race, are duties laid upon the shoulders of the workers. When these duties have been performed, the

ethical principle requires that each worker shall receive products in proportion to his contribution, in other words, that he shall have as his individual part that which remains of his own production after meeting his communal responsibilities. It may be noted that there exists no social obligation to support those who are capable of self support, hence those who live upon incomes and do not work enough to earn what they consume put themselves in the dependent class and are in an economic sense charges upon society even to a greater extent than the inmates of a charitable institution, in that the amount consumed by the former is larger than that devoted to the support of the latter.

Rich paupers.

In order to reach a high standard of efficiency in production it is necessary, in addition to efficient labor, to have a well balanced production, that is to say, that it must correspond with social needs. When the amount produced exceeds the amount necessary to satisfy the current wants and provide against reasonable contingencies it involves the expenditure of labor for unnecessary things which, though utilitarian of themselves, for the nonce must be placed in the non-utilitarian class. If the cost of the deterioration and the storage of these excess productions until the time comes for their consumption exceeds the cost of new production, the excess cost represents waste of effort. It will be seen, then, that man is under the necessity of exercising judgment in the quantity of production of the different products, if the proper balance is to be preserved, and the highest efficiency reached. It is entirely probable that society may from time to time through defective judgment produce certain articles in excess of need and thereby disturb the economic balance, but it is entirely improbable that man, if his efforts are

Well balanced production.

properly directed, will ever produce more than he can consume, for the reason that his wants will increase in the proportion that goods are produced to satisfy them. The cry of over-production is therefore misleading. It generally denotes either an unbalanced production or, what is more probable, an under consumption superinduced by faulty methods of distribution or division of benefits.

The change of ratio in the exchange value of the different products is the method of bringing production into proper balance. That which is under-produced rises in value while that which is over-produced falls in value, the high value stimulating production and decreasing use and the low value repressing production and increasing use.

CHAPTER IV.

CAPITALISM.

Capital.

The term capital will be employed to mean fixed investments, other than land, and the production that is available for use out of which loans and investments are made.

Capitalism defined.

Capitalism is the doctrine that capital is entitled to a return for its use. Expressed differently, capitalism insists that the owner of capital shall be insured the return of the full amount of the capital loaned or used, and in addition be given a consideration for the use of it. The soundness of the capitalist system depends upon the validity of the claim for pay for the use of capital. If capital is entitled to a return for its use, the doctrine of capitalism rests upon an ethical foundation, leaving only the problem of proper regulation and administration to prevent abuses. On the other hand, if capital is entitled to no return for use, all payments for such use are necessarily inethical. In such case the capitalist system must exist on sufferance and should be displaced when and to the extent that one approximating more closely the ethical principle can be substituted for it.

Should users of capital pay hire?

The questions at issue are:

First—Is capitalism ethically justified?

Second—If capitalism is unsound in principle, what system more ethical in its basic principles can be devised to take its place?

As coöperation increased, necessitating division and specialization of labor, the need ever grew greater for the aggregation of capital to be used for social purpose. When the unit engaged in social service is small, the individual conducting it may be able to furnish the necessary capital out of his own savings, or by associating other workers with him, get the use of their capital and services. So long as this method suffices to furnish sufficient capital, the enterprise does not necessarily belong to the capitalist system, since it can be conducted indefinitely, carrying only a charge for insurance and actual labor service. When the units increase in size it becomes imperative that the surplus capital of others shall be aggregated and employed in conducting the larger operation. The first method for providing this increased capital was partnership, under which two or more individuals combined their capitals for a given purpose. So long as the contributors of the capital were the actual workers in the conduct of the operation the process was fairly simple, but when the need for additional capital became still more urgent, a method had to be provided by which the capital of workers other than those directly employed could be attracted to the operation. The inducement held out to the investors was the promise of an increase of their capital, or, stated differently, the return of the capital itself and, in addition, payment of an interest for the use of it. This point marks the origin of capitalism.

The need for capital.

All private business not capitalistic.

Capitalism.

The inducement offered the investor, or rate of hire for the capital, must of course bear a very close relation to the degree of supposed risk attending the conduct of the business.

These contributions to capital take various forms: general partnership, special partnership, stock interest, common or preferred, bonds, notes, and open accounts. All contributions are made with the expectation of getting a return, either from a division of the profits of the operation or a fixed return, such as limited dividends or interest. As already pointed out, the business conducted by those furnishing all the capital required out of their own savings can continue indefinitely, adding only so much to the price as may be necessary to cover expenses, including in them a fair consideration for the personal services of the partners. The increase of capital to take care of the growth of the business will in such case be limited to the amount that the partners will be able to save out of their compensation for services. If more than this is required, it will be necessary either to apply the coöperative principle more broadly or to adopt the profit principle, increasing the charge for the services to yield either a profit that will swell the capital fund, or enable the partners to pay the hire of outside capital. The thing to be impressed here is that the principle changes, and capitalism or some other method of aggregation becomes necessary whenever the business requires more capital than the savings of those actually employed in the particular operation furnish. If two small units, the workers in one of them furnishing the necessary capital while the other hires it, are both doing the same amount of business with equal efficiency, it is patent that the one hiring its capital must either pay a lower wage for services or suffer a diminution of capital.

Two systems contrasted.

It is possible that the large unit with a larger volume of business can effect economic savings sufficient to cover the hire of capital and thus be able to serve the public

at less cost than the small unit, under no charge for the use of capital. The employment, then, of the profit principle, if it is the only means by which the larger and more effective operation can be obtained, may result in cheaper and better service than if the small unit system had continued. It is upon this assumption that the displacement of the small units by the large is justified. It will be noted, however, that the comparison in this case is between unequal things, and that the more favorable showing of the large unit employing the profit principle as against the smaller units operating under the service principle does not determine the former's right to exist except as an expedient—as a choice between the less efficient and the more efficient. The final test must be between units of equal size, the one functioning under the service principle, the other under the profit principle, and the right to live accorded to that which proves to be the more efficient social instrument. It is fatuous to claim that the benefits derived from larger and more efficient production are the results of capitalism. The invention of machinery, increasing production and expediting transportation, was the primary cause of the improvement over past periods. The aggregation of surplus capital was the essential thing to be accomplished in order to make these inventions practicable. The ignorance of society made it impossible in that period to devise a proper method for gathering the necessary capital, leaving it to the more astute individuals to adopt one, and in doing so they very naturally adopted capitalism, which functioned, not in the interest of the ignorant mass, but in that of the few responsible for its existence. Capitalism, then, is only a method, not a cause, which necessarily depends upon the existence of a special privilege that operates to the

The service and profit principles.

Capitalism a method only.

advantage of its possessors and to the disadvantage of an ignorant society which permits it to remain. Capital is vitally necessary, but capitalism is not, because it is by no means the only method of aggregating capital.

Necessity for capital.

The law of efficient labor requires effective effort of all workers, their allotment to the spheres in which they can be most productive, and the proper division and specialization of work. To accomplish these purposes the aggregation of the requisite amount of capital becomes necessary so that buildings, equipment, machinery, and working capital may be provided.

The larger the unit of production becomes, the greater the opportunity to specialize the work and reduce the cost of manufacture. There is, however, a limit beyond which the further increase of the size of the unit does not effect an economic saving, but occasions a loss. If the expansion is permitted to go so far, it cannot be sustained except by imposing a tax upon the public, either in the form of monopolistic exaction or a subsidy from society.

Limit of economic growth.

As the economic unit increases in size, the amount of capital employed in it must also increase. So long as this increase in size results in more efficient production, it is clearly in the interest of society that it should take place, and therefore those who have surplus capital are under moral obligation to allow the beneficial use of it in the public interest. The claim of society upon the owner of surplus capital for its use in the public interest is also in full accord with the owner's self-interest. Practically all capital requires constant renewal, and therefore the owner must reproduce it himself, permit others to do it, or lose it. If he has wheat in excess of his immediate

Moral obligation to permit beneficial use of capital.

need, it must be stored and protected against rats, weevil, fire, thieves, etc. If society assumes these risks, assures the individual of its safe return, undertakes to reproduce the wheat and to furnish the owner a supply of new wheat each year equal in quantity to the amount loaned, it has clearly done him a valuable service.

Illustration of the principle of conservation.

Let us suppose A, B, and C acted individually and produced by the time they reached thirty years of age enough wheat to supply their needs until they are eighty years old, and they desire to discontinue its production. Each stores his stock of wheat. A knows nothing of the law that requires the constant renewal of production, or of the risks incident to its preservation, hence makes no provision against these contingencies. He continues eating from his stock, and finds in a few years at most that what is left of it is no longer edible, or that all has been destroyed or stolen. He is reduced to the necessity of beginning again the production of wheat, or starving. His provision against future need was unwisely made and therefore proved a failure.

B was more intelligent. He understood the law of conservation and the risks involved, so he only kept so much wheat as he needed for the year's consumption and loaned the rest to responsible parties with the understanding that they would return him an equal quantity of new wheat the succeeding year. Out of the new wheat returned, he would each year reserve his requirements and loan the remainder. His stock was reduced each year only to the extent that he consumed it. He had wheat until he was eighty years old, exhausting the supply at that time just as had been contemplated in the original calculation.

C was equally as intelligent as B, but more selfish. He recognized that some of his neighbors were under a necessity to borrow wheat and he pursued the same method as B, except that he took advantage of the need and exacted that they should return him each year new wheat in equal quantity to what they had borrowed and six bushels extra for each hundred borrowed, as pay for the use of the wheat. It developed that this extra six bushels per hundred furnished enough for C's consumption, hence when he came to die at eighty he had as much wheat as he had when he ceased to produce it fifty years before. In other words, he had lived for half a century upon the product of his neighbors' labor, not because they wanted him to have it, but because they could not help it.

If, then, the practice of taking from the borrower in excess of the amount borrowed is to be justified, it must be done upon other than ethical grounds. Its defenders are reduced to the doubtful expedient of defending an evil that should only exist because it prevents a greater one. This plea necessarily carries with it by implication the admission that the thing defended should be tolerated only so long as a better method is not available. Capitalism, to maintain its right to exist, is reduced to the necessity of establishing its superior effectiveness against all competing methods, and is by the facts of the case debarred from appeal for support on moral grounds.

Capitalism lacks moral foundation.

The owner of capital, in conforming to the moral obligation to permit the use of his surplus, is acting in accord with enlightened self-interest. If compelled to accept the alternative of keeping his capital as A did, he could better afford to pay the borrower something to take it upon the terms which B made. If society, taking advantage of the necessities of the owners of surplus capital, should place them under the same conditions that C imposed

upon borrowers, they, even under such a handicap, would still be acting in accord with their best interest to allow the use of this surplus, since renewal and the insurance charge against risk might be worth more than the charge exacted. In fact, in practical life this actually obtains, since owners of property do pay insurance companies for assuming limited risks.

Benefits resulting from use of capital.

The loan of this surplus capital enables society to improve its industrial and financial mechanism and makes possible increased production at less cost, which results in a larger store of wealth that enables all, the loaner included, to enjoy a standard of living that would otherwise be impossible. The advantage of the aggregation and use of surplus capital over its non-use is so obvious that it will be generally admitted and even the penalizing of its use, as a charge for capital certainly does, is not a sufficient deterrent to overcome the advantages. This charge reflected in the percentage of profits, obtaining at any given time, must of necessity be something less than the profits to be derived from the use of capital, or the borrower must at least think so, as he would not willingly incur a loss.

Effect of high interest rates.

Should this occur, cessation of borrowing follows and the interest or profit percentage falls until the borrower again becomes convinced that the benefits of use will be greater than the cost of it. In practice, then, the rule seems to be to put on all the business will bear and make the exaction whatever the necessity of the case will permit. The intelligent owner, in arriving at the maximum charge for the use of capital, will no doubt consider, not only the amount than can be momentarily gotten, but the effect that the rate of return will have upon future bus-

iness and moderate the charge to the extent that may be necessary to insure the continuity of business.

Pay for capital is taken from the workers.

The case of C illustrates that the pay exacted for capital comes out of the product of labor done by others than the loaner. It must be remembered that the principle of self-interest does not admit a custom that continually calls upon one to deliver to another, without consideration, a part of his product. If such a custom obtains, the loser submits to it, not because he desires to do so but because he cannot help it. The controlling principle of self-interest will demand an equitable exchange. If the mind force and the necessity of the traders are equal, the exchange of products between them will take place upon the basis of equal value, therefore any transaction that gives to one more than his fair part, as a general rule, will be found to rest upon either ignorance or necessity. None will work for two dollars per day when he knows that his labor is worth four dollars, unless he is unable to help himself. The excess taken inethically either as an interest or profit charge, will usually when analyzed be found to consist of over-charge for labor, superintendence, interest or excessive insurance. If A and B exchange products upon equal terms, neither is the richer, expressed in value, for having traded. The advantage to both is in having by exchange the use of two different products, whereas without the exchange each could have only one. If A trades his product to B, receiving more in return than he gives, he becomes richer and B poorer to the extent of the difference. It is often claimed that the owner should receive a consideration for loaning his surplus to another because of the deprivation he undergoes. If he can use

Pay for capital an exaction.

Advantage in exchange.

it advantageously himself there appears to be no valid reason why he should loan it at all. If there is only one tool why should the owner deprive himself of the instrument unless the borrower can use it more efficiently? In such a case the owner becomes free to engage in some other employment in which he may be more proficient. Society would be benefited, and each of the parties would be better off because of the transaction. If the borrower of the tool returned it in a condition comparable to that which existed when he borrowed it, there would seem to be no ground for claim for pay for its use. If, then, the mutual and social benefits arising from a better use of the tool, which the owner himself could use, justify the loaning of the same without charge, what is to be said of that which the owner cannot use at all? In such case the owner has a surplus that he cannot employ and is dependent upon others to preserve it against time, accident, and spoliation, and if he can loan it safely he receives a beneficial service. He confers no more than he receives, hence has no ethical ground for a claim for extra remuneration.

Lender and borrower mutually benefited.

Insurance charge justified.

The creation of facilities for larger and more economical production, and the provision of the means of easier transportation and transmission are all dependent upon the existence and use of surplus capital. If such things are in accord with utility, the capital expended is more than repaid in the greater production and better distribution they superinduce. If these things are done under private initiative, the entrepreneurs as well as the owners of the capital must take the risk of the utility or non-utility of the work and they of necessity must take account of the probable risk involved and make the rate for the use of

capital higher to cover this risk. If the risk is underestimated, the entrepreneur loses until his margin is exhausted and the owner of the capital loses the rest. If the work is one of utility, the charge for insurance is eventually transferred to society in the form of charges for services. If this insurance charge is correctly laid it will only cover losses and therefore yield no net return on capital. If capital is entitled, as is conceded, to be protected against loss, it follows that sound ethics requires that the charge be reduced when it becomes apparent to the lender that it is in excess of that necessary to cover losses. This insurance fund is not the property of the owner of the capital. It is a contribution from society to guarantee the safety of the individual's loan. The ground upon which this insurance charge rests is that society, or such members of society as possess surplus capital, are under a moral obligation to furnish it for beneficial use, and society as a whole is under obligation to furnish such organization as may be necessary to insure the aggregation and safety of capital. In such case, if it is used in a non-utilitarian way either by design or on account of defective judgment the result is a loss that society must bear. If society makes no such provision and the individual must on his own initiative undertake to do for society that which it should have done for itself, it must submit to such losses as are incident to its own failure to protect itself.

Society must assume the risk.

This, however, does not mean that the individual has the moral right to exploit society. He may and should provide a safety fund, charging profit for the purpose. He, in the event of the failure of society to provide the capital necessary to insure beneficial development, may tax them in the form of

No moral right to exploit society.

profit to amass a fund to pay hire on capital or aggregate the capital itself by a profit charge, but thus compelling society to do its duty to aggregate capital by no means transfers to him the title to such capital. There is no legitimate way by which one can acquire title to that which belongs to another other than by voluntary gift or exchange of equal value for it. This forcible method of gathering capital, justified by the failure or refusal of society to do its duty, confers no title but creates a trust relation between the gatherer of the capital and the public from whom he has taken it. The omission to consider the trust character of this accumulation leads to many unfortunate results.

Trust relation.

In times of commercial prosperity when the insurance fund grows rapidly, many appropriate it and raise the standard of living. Commercial depression follows, and having consumed or greatly impaired the protective fund, they become wrecked. It may be said, too, that so long as capital is employed in the production of wealth, the mere claim of ownership does not materially injure society except in so far as the possession of this trust fund may give opportunity for the abuse of it. The most serious danger lies in the temptation which such possession offers to the trustee to become wasteful or to abuse the power which the control of great wealth confers. If the trusteeship can be justified upon the grounds of society's insufficiency it must be remembered that the trustee's ward should be the object of his unfailing care. He is not only under the obligation to conserve and use wisely the trust estate, but is likewise under the most sacred and imperative duty to employ every available means to restore the ward to normality so that he can assume full possession and management of his own estate.

Waste harmful.

Trustee's obligation to his ward.

Abuse of the insurance fund.

The insurance fund is an essential feature of capitalism, and by its abuse the most of the unwarranted accumulations of wealth are accomplished. In actual practice, capital, when the insurance feature is eliminated, receives a very small return. Note the low rate when the security is considered safe. The safer the bond the lower the interest rate is the rule, which leads to the conclusion that if the safety of the investment were absolute there would and should be no return. In such case, the owner of the capital would always have at his command all the surplus he had saved without risk of diminution except to the extent that he himself consumed it. Under this condition the producer of wealth could enjoy his savings so long as they lasted, but would be debarred from converting himself into a vampire to suck the life-blood of society.

No risk, no charge.

If the social use of capital upon which improvement in production and transportation depends could be preserved under a system that aggregated free capital it would tend to increase the fund of surplus capital, since it is a well known weakness of man to become more careless and extravagant in expenditure as he is able to make it out of the labors of others. "Easy come, easy go," is proverbial, therefore, if one's expenditures are confined to his own productions, greater conformity to the law of utility follows, and under the latter circumstances we should have fewer of those twin evils of society among us, the wastefully rich and the miserably poor. The insurance or profit and loss account when properly adjusted will balance. If extra profits are set aside to cover losses it is manifest that when the losses are paid there should be nothing left. It is, of

Just distribution superinduces economy in expenditure.

Profits and losses should balance.

course, understood that no reference is here made to such proper percentage as the banker or broker may charge to cover wages and actual service, that being an entirely permissible administrative expense.

All charges made by the commercial classes may be said to be composed of wages, insurance, and a trust fund out of which the hire of capital is paid and a surplus created to furnish the necessary capital to provide for the expansion and growth of the business. When a business accumulates capital rapidly it is usually due to an excessive insurance charge. It is then said to be a profitable business. If, on the other hand, it loses capital, it is proof that the insurance charge is too small and it is then said to be unprofitable. The system of capitalism, as has already been explained, rests upon profit. That is to say, it must offer a reward for the aggregation of capital in the form of a return for its use and it must make the insurance charge too high in order that it may yield a sufficient amount in excess of cost, in other words, a surplus fund to provide the necessary capital to take care of the growth of the enterprise. The excess charges must of necessity be collected under duress. Among others, the devices employed to effect the desired results may be mentioned the following: first, the employment of workers at less than the correct wage; second, the sale of the finished product at a higher price than would obtain if the system of distribution were ethical. In such case, the excess above the proper charge is collected on account of either the ignorance or the necessitous circumstances of the buyer or perhaps both.

The story of Dick Whittington's cat is familiar. It has come down to us as an example of what Dame Fortune may do for us. Parenthetically it may be observed that Dame Fortune is the patron goddess of robbers. The morals of the story do not commend it, and it doubtless

would have been buried in oblivion years ago if it had not been a faithful reflex of human nature in its undeveloped state.

Wealth is power.

It is difficult for the ordinary mind to conceive of greatness divorced from material things, hence the possession of great wealth is to many conclusive proof of the possessor's prowess. It matters not so much that he may have disregarded every ethical consideration in the acquisition of this wealth, the material exponent is alone sufficient to satisfy the many. As proof that this exponent is the guiding star it may be observed that when one unfavorable circumstance deprives the rich man of his riches he falls at once to the common level. Dick Whittington, the errand boy, sleeping in the garret, receiving the cuffs of the empress of the kitchen, was a person of no particular importance, but the Hon. Richard Whittington, Lord Mayor of London by virtue of an act of robbery perpetrated against an African savage, was a personage to whom the common herd was proud to render homage. Dick Whittington still lives and may be seen in miniature in every mart. He left an enduring memorial as evidence of his possession of a keen appreciation of the appropriate in the form of Newgate prison, which he built for the accommodation and delectation of those, who like himself, would become the beneficiaries of the system that undertakes to get something for nothing. His principle is subscribed to and his method practiced by almost every one from the gold brick vender to the merchant prince. The merchant's private cost mark, the air of secrecy and so-called privacy that pervades the business atmosphere come from the desire to withhold knowledge that would enable the public to arrive at a correct idea of a fair ratio of exchange. The advance

Man's worship of the material.

agent of a superior civilization who buys the land of the ignorant savage for a few trinkets feels the same satisfaction that falls to the share of the exploiter who, giving a trifle in return, takes oil wells and coal mines from an ignorant populace. The wily horse trader who exchanges the broken down, worthless animal for one that is sound of limb, is considered disreputable. If he applies the same principles and cheats the community out of a valuable franchise which he operates, and enriches himself out of all proportion to the services rendered, he becomes a worthy example to all the budding Dick Whittingtons of the neighborhood.

The fool and his folly.

Even the Almighty can do nothing for the fool except to give him over to his folly. When the Israelites cried for a king, He told them the consequences, but it did not deter them from making the experiment. Little can be done to mitigate the effects of evil causes. They will likely remain to serve as cruel masters in the school of bitter experience, the institution reserved for the instruction of that large class that will learn in no other. The remedy lies, not so much in helping them to avoid penalties, as in the dissipation of their ignorance.

The development of mind force by practical education is the panacea for such ills. Along with increased intelligence goes the public conscience, which will enforce only so much of the moral law as the common intelligence has perceived. If both parties to the exchange are ignorant there is no moral responsibility. If A knows B's product to be double the value of his own, and exchanges one for the other, B's consent is based upon a lack of knowledge which enables A to get one-half of B's product for nothing. The question of morality hinges upon A's motive. If he intends to

Moral responsibility.

take advantage of B's ignorance, he is quite as immoral as he would be were he to take the same amount while B slept. The purpose underlying the use of one's force should be honest service so that the world's work might be done in such an effective manner as to insure that the laborer would receive his fair reward, and that the general good would be advanced. In such conception of duty there is no trace of desire to gather where one has not sown nor wish to over-reach a neighbor. The controlling motive in this case would be to do unto others as we would have them do unto us.

Moral purpose.

Forceful exactions robbery.

It is a reprehensible practice to employ force to compel one to make exchanges at an unjust ratio. If A meets B on the highway and under threat of harm forces him to exchange a horse worth fifty dollars for a cow worth twenty-five dollars, the law comes to B's rescue and holds A guilty of robbery. B may have been willing to exchange his horse for the cow, provided he received other things sufficient in value to equal the difference. A has bread and B has other products and must have bread. A has a monopoly of bread and will not exchange with B except upon the ratio of double value of bread. B knows that A's price is extortionate but he must have the article, makes the exchange and receives only one-half of the value of his own products in bread. What difference is there either in the principle or in the practical results of the two transactions? In both cases the necessitous were compelled to surrender one-half of their values for which they received nothing in return. It is self-evident that the employment of any force with the motive of getting the product of another for less than its full value is robbery. It does not alter the morals of the case if this is done by taking

advantage of a defective economic system, by monopolistic privileges conferred by a government, or by the enactment of protective laws that enable the robber to ply his trade with more success.

Saving by self-denial.

It is claimed that the saving of capital is the result of self-denial. In some cases this may be true. It is nearer the truth, however, to say that much of the surplus capital devoted to productive purposes is, in the present state of social development, the result of enforced abstinence. It is not intended to say that this involuntary contribution to surplus capital is the only means by which the results desired can be accomplished, nor is it even insisted that this method of accumulation is desirable. The fact that it is done does not necessarily prove that the same result could not be reached by a process that would be more in accord with ethical considerations and individual rights.

Carnegie on trusteeship.

It has been contended, notably by Andrew Carnegie, that it is productive of greater good to take the surplus wealth of the people in the form of profits, vesting the ownership or trustee management in the hands of the few than to leave it in the hands of its rightful owners. This assumption must necessarily be predicated upon the incompetency of the social body to develop proper organization under which its functions would be efficiently performed. In other words, this theory claims that it would be better in the public interest to take away from the individuals a part of what belonged to them and use it reproductively, justifying the course by assuming that the rightful owners lack capacity to devote it to beneficial use. It may be that manufacture, transportation, and distribution have advanced more rapidly under the system of spoliation with its dis-

regard of ethical considerations than would have been the case had a more just system prevailed, but even if this is admitted, it does not follow that the present system is justified or even justifiable. Even if slower as regards these things, it is conceivable that the progress of civilization might have been better balanced and might have made a greater average advance if the entire economic system had been brought into closer conformity to moral law.

It is exceedingly doubtful if the overlordship of the few has ever resulted in giving benefits that would compensate for the deterioration which follows in the subject of its spoliations. No amount of creature comforts will ever compensate for the loss of those virile qualities of manhood which are strengthened and developed by the knowledge of the fact that the laborer can feel assured that he will receive the full measure of the reward of his efforts, and that he, as an essential factor in the government and direction of the world's work, must rely upon himself for the accomplishment of social progress. The latter method would develop men, the former, slaves.

Individual independence.

The willingness of the producer to forego present expenditure that he may have the use of his production at some future time, rests upon grounds as multifarious as the ambitions and purposes of the individual members of the human family. One is born a miser, he saves merely for the satisfaction and gratification of possessing the savings without much regard to their use. He will go in rags, half starve and even beg that he may acquire something to put in store. Another saves because he fears the dependency and deprivation that poverty brings and he willingly denies himself present pleasures that he may avoid future pain. Another saves

Willingness to save.

Reason for saving.

because observation has taught him that the results of prudence and foresight which prompt the accumulation of a sufficient surplus during man's productive period to provide against the wants that necessarily come in his non-productive period, are altogether good. Another saves that he may provide funds to rear a family, giving its members such opportunity for education and development as may be necessary to equip them for useful citizenship. Others still of a more altruistic disposition will work and save in order to create a reserve that will enable them to put it to beneficial use in doing things for social benefit, the importance of which is not sufficiently appreciated by society to induce it either to arrange for the work or pay for it when it is done. Others desire to accumulate in order to acquire the power which wealth brings and find a sufficient compensation for their efforts in this direction in the exercise of the influence that the rich have over the poor.

The controlling motives for saving are by no means the same in different individuals nor of equal merit, some being worthy and others despicable. It does not appear unreasonable that the desire for ownership of the saving itself, even if it could not be hired out, is sufficient to furnish incentive to develop normally the saving impulse. It is beyond question that security in the possession of the laborer's product is an indispensible element in the promotion of both production and saving. It is plainly for this reason that a country with a stable, orderly government insuring justice to its citizens will develop a national wealth out of all proportion to one which does not afford such protection to its citizens. It may be said, too, in this con-

Safety and justice promote saving.

The rate of interest the measure of social progress.

nection, that the return of interest paid on capital is lowest in the well governed country and highest in the badly governed. It may be said further that the return on capital rises as civilization falls. There is no more certain index of the rise or fall of social progress than the interest returned or percentage of profit that obtains at any given time. God save the country in which Shylock prospers most.

If the hire of capital is a legitimate earning inuring to the owner of it, it could only add an additional incentive to save to the extent of the income from this source and therefore could not by any stretch of the imagination be said to furnish a larger consideration to save. It would indeed be a foolish possessor who would not forego the interest to save the principal. If, however, this return on capital, this additional incentive to save, is not a proper charge but is an unjustifiable exaction, the effect must of necessity be decidedly detrimental to the moral as well as the material development of society. In this case it would be an involuntary contribution from those who had earned to those who had not, and since the beneficiaries are in smaller numbers than those suffering the deprivation, the stimulus given to the former would in no measure compensate for the deprivation experienced by the latter, therefore a net loss would result. It is conceded that the existence of an organization for the purpose of aggregating the surplus savings of a country, even though this organization be inethical in its operation, is productive of far greater social benefit than could be realized if no organization for this purpose

Return on capital stimulates the few, depresses the many.

Capitalistic coöperation better than none.

existed. If each individual were left to take care of his own savings and to subject them to use, the benefits of coöperation could not be obtained. The development of the capitalist system came, then, as the only practicable method available at that time by which coöperative action could be secured. With all its faults and shortcomings it was better than that which existed before it came into existence and it will likely be retained until the public mind conceives a still more efficient system.

Saving an instinct.

Under any system the individual, so long as he feels a reasonable assurance that he will be protected in the possession and use of his product, will strive to create a surplus because the desire to provide against future need is a natural instinct developed under the particular necessity of one's environment, and it will assert itself even if there is no inducement other than that which the saving itself offers. Man cultivates his crops, reaps and stores them in due season for consumption during the periods of non-production even though he is assured that no premium other than the use of the products themselves will be given him. The knowledge of the necessity of saving is the main reason for its practice.

Intelligence increases saving.

The more intelligent the people, the greater will be the urge to produce and save, hence we find the lowest production, the least consumption, and the greatest poverty in ignorant communities, and the largest production, the most liberal consumption and greatest amount of savings in the countries having the highest moral and intellectual development.

Capitalism entitled to live until a better instrument is found.

Capitalism, then, as a social instrument, will be entitled to live only so long as it may demonstrate its superiority over any other available method of accomplishing the desired results. If a better system is found, which will aggregate capital at less expense and effect a more beneficial use of it, eliminating the opportunity of the exploiter to transfer to himself the property of others without giving a fair return for it, it will displace capitalism, just as the less efficient methods of transportation have disappeared before those of greater efficiency. Capitalism, and private monopoly that necessarily results from the development of the principle, have made themselves tolerable on account of their ability to effect economic savings and to promote increased production through the introduction of improved machinery. It has been able to take its toll, and out of the increased production leave the portion of labor larger than it could have been had these improvements not taken place. The efforts of large corporations to encourage more efficient production have been productive of highly beneficial results. It furnishes a splendid example of an intelligent selfishness that seeks to serve itself by serving others. Admitting its many good points and the permanent benefits that capitalism has made available to society, the conviction still remains that its fundamental principle does not square with the moral law and that its incentives do not lead to the development of moral character. Lacking the moral foundation upon which all permanent institutions must depend for continuity of life, it can only be regarded as a passing stage in human progress that will disappear as the perceptions of man grow clearer and the necessity for closer conformity to ethical consideration and principle become more urgent.

Increased production beneficial.

Capitalism lacks moral foundation.

Capitalism pays hire for the use of capital and its protagonists claim that this practice not only aggregates the surplus but offers an incentive for increased production and saving. As already explained, the capital that is saved and gathered to be used to produce new capital, that is to say, used productively, must of necessity be consumed in the process of reproduction just as the wheat that is sown must germinate and become consumed in the process of making new wheat. The expenses of the operation, the hire of capital and the labor must come out of the new production. If the new production yields less than the sum of these charges, to the extent of this difference the entrepreneur will have as his share when the new crop is garnered less capital than he had at the start. If he borrows all the capital used he will be unable to pay all of the debt he contracts. In other words, he will be insolvent. If the operation is successful and yields a sum in excess of the original capital used, the amount paid for its hire and its labor expense, the entrepreneur will be the gainer to the extent of the amount of this excess.

Borrower takes primary risk.

Hence, it is the borrower who takes the primary risk of loss. The risk of the loaner is secondary in that he only sustains a loss after the ability of the borrower to pay it has been exhausted. If in addition to the amount necessary to insure the entrepreneur against loss, he must include a charge for the use of capital, this can only be secured out of the sum produced, hence the remainder left for division among the workers will be smaller to that extent and the share of each will accordingly be reduced. If, then, increased return is an inducement to greater production and saving, it is manifest that the workers will be discouraged to the extent that the hire of capital reduces their portions. What advantage can accrue from accelerating the one class and depressing the other? This as-

sumes that the classes are numerically equal, which is far from being the case. The more correct assumption is that the few receive the benefits while the many must pay the losses. The return on capital, then, on the principle relied upon by its advocates, acts on the average as a deterrent rather than an excitant both upon the production and saving of capital.

If it is contended that the workers paying the charge for the use of capital are also owners of the capital loaned, therefore the beneficiaries of the charge, it may be replied that since this charge must come out of production if the workers are not to lose by it, the amount received must equal the amount they pay, in which case no benefit would accrue. If, however, they receive three per cent on their savings and they must pay six per cent for their use in productive employment, it is manifest that the practical effect under the principle of the defenders of capitalism is that the workers are always on the losing side of the proposition. It is, of course, plain that the charge for the use of capital and whatever profit may accrue from an excess insurance charge are both included in the price of the product to the ultimate consumer, who cannot shift them.

If the practice of paying a charge for the use of capital is the only way of securing its aggregation and beneficial use, it is no doubt far better for society to permit this practice than to be deprived of such advantages; but is society under the necessity of accepting either of these alternatives? No one can deny that the saving and efficient use of surplus capital make it possible greatly to increase production and bring into existence many desirable and helpful things that could not otherwise be obtained, but these social benefits accrue to all, to the possessor as well as to the non-possessor of loanable surplus. The creation of these general benefits, altogether desira-

ble in themselves, by no means justifies an unethical practice that can be abolished. It is the moral duty of each individual member of society who is physically and mentally qualified to work efficiently to conserve this surplus by permitting it to be used, and society has the right and the power when properly organized to compel him, if necessary, to do so. It does so now, but generally confines the application of the principle to extreme cases, usually for destructive purposes such as war. It is a sad commentary upon the world's so-called civilization that society will go to any extreme to destroy itself but will utterly refuse to adopt even the plainest and most reasonable methods of insuring its happiness and permanent welfare. It will tear down and destroy with reckless abandon but will only build up and construct under the lash of relentless necessity.

If, then, the entire surplus production can be commandeered by society to harm itself, it could, if it would, exercise the same power to promote its welfare. That it has not done so, that it would not have done so in the past, is beyond question, but the fact that it might have done so or will be able to do so when it chooses, proves conclusively that the existence of capitalism is not the only method by which society can enjoy the benefits arising from the coöperative use of its surplus productions.

Does capital earn its own hire?

The only remaining ground upon which the hire of capital can be ethically justified is that it earns its own hire. It has already been shown that the borrower assumes the risk of loss and undertakes to renew the production without which it would soon become unfit for use, and likewise that the owner, along with all others, receives a positive benefit from such use. Capital is inert and of itself can produce nothing. It is labor that produces—the joint effort of the

mind and body of man. If the worker confers protection and benefit by preserving and using an otherwise perishable thing so that its owner in common with others may possess and enjoy a variety of things that give him satisfaction and comfort, can this worker be, morally, called upon to surrender a part of his production as remuneration to one who has already been the recipient of valuable considerations without which he must necessarily have lost his savings? If anyone is to be paid as an incentive to stimulate the operation, it would seem to be more justly due the worker than the investor. The use of surplus capital makes possible the increased effectiveness of labor and the good arising from it eventually inures to the benefit of all.

The entire surplus production, even though owned individually, should be a common fund for facilitating the world's business. Its safety should be assured, its reproduction arranged for and its beneficial use guaranteed. The participation of the owners in the general good that would result, along with the opportunity to draw upon this fund at will to the extent of their ownership for consumptive use, would fully meet all ethical claims they would have. Under this policy there would still remain all the necessary incentives to encourage production and promote savings. Coöperation would increase and the opportunities for moral development would be greatly multiplied. Capitalism can be justified and practiced on the grounds of expediency as long as it is the most efficient instrument available, but its lack of moral foundation leads to the conclusion that its full development will inevitably lead to its elimination.

CHAPTER V.

THE DIVISION OF PRODUCTION UNDER CAPITALISM.

Ideal distribution. The sum of the social product, if all members of society were self-sustaining, should be divided between them in the proportion that each had contributed to its creation, but no such ideal condition exists.

Class divisions. Society may be divided into three classes, partially dependent, dependent, and independent. The members of the first produce less than they consume and their store must be supplemented, those of the second produce nothing and must be supported by others, and those of the third produce at least as much as they consume. The first two classes to the extent that they receive aid are a charge upon the independent class.

Communistic contribution not always a loss. The amount necessary to the discharge of this communal obligation is necessarily subtracted from the general fund of products, hence lessens the portions of the workers. While this is true of any division at any given time, it does not follow that all expenditure for communistic purposes is a diminution of the worker's return, since such disposition of a part of the amount produced may cause greater production than would have resulted if no such expenditure had been made.

The amount expended for good government, education, road building, etc., while an immediate loss to the workers, in the course of time greatly increases production, repaying all that they cost and actually increasing the sum that is to be divided. Remove the protection that government gives and stop the mind development that

education promotes and production would be enormously decreased. Discontinue the protection and care that society extends to its weak and helpless members and it would soon begin its descent to the brute level, becoming steadily more predatory and less productive as its moral standard fell. Proper expenditure, then, for these communistic purposes is no deprivation but rather an incentive to higher aims and greater efficiency.

The dependents that injure the workers are those who can and will not work. The inefficient worker "soldiering" on the job, the able bodied tramp and that still more costly dependent, the idle rich, are parasites on the body politic. These are they who live upon bread they have not earned, prolonging their useless lives by subtracting from the portion that goes to the honest worker. The rich man or woman who does not earn what he consumes is, in an economic sense, quite as much of a pauper as the "Weary Willie" who begs or steals his bread. Society can much better afford to support the latter since his consumption is much smaller.

The idler a parasite.

Division of production.

These communistic obligations discharged, the remainder of the production under an ideal capitalism would be divided as follows:

1. The hire of capital;

2. Wages or compensation for services, mental and physical;

3. Insurance fund to protect invested capital;

4. The amount necessary to provide additional capital to take care of the increase of the business.

If borrowed capital is to be used, the amount of the product necessary to pay sufficient hire to induce owners

to loan it is absolutely essential. Assuming that the profit on the insurance account balances the losses, there would be no net loss to the workers in this item. The amount taken by the owners of the operation to enlarge the capital to take care of increased business, even in the ideal, is an exaction made upon the workers because of a basic weakness in the structure of capitalism. Without the power to take this amount necessary to insure its growth, capitalism would not only become static but must perish. Let us call this item profit, or that which the operation takes in excess of what it gives. What actually takes place is that the worker's share is diminished to the extent of the profit, and wages are the part of this diminished residue of production which each worker gets in the proportion that he contributes to the production. It will be noted, too, that the title to this part taken as profit passes from the worker to the owner of the operation and the latter gives nothing in return for it.

Profit divests the worker of title without compensation.

Capitalism makes classes.

Profit is, then, a tribute which the owners of the economic machine impose upon the workers, and the fact that the possession of the instruments of production gives these owners this power makes of them a distinct class possessing a special privilege. So long as this capital or profit fund is devoted to productive purposes the workers are not economically injured except to the extent that it may be made the source of hire for capital and used for consumptive purposes. This is true because the surplus necessary to efficient production should be so used and if the title to it had remained in the worker it still would not have been available for consumption.

Capitalism inethical.

The wrong consists in taking from the worker his property without compensation and vesting the title in one who has no just claim to it. This act of expropriation of a part of the worker's production is a violation of the ethical principle and in contravention of the socialistic theory that the worker is justly entitled to all that he produces. It is not uncommon to hear the beneficiaries of this unjust expropriation defend in strong terms what they call the rights of private property when they themselves are the most flagrant violators of the principle. What they perhaps unconsciously mean is to assert their right to hold safe from harm the property belonging to others which they have taken and for which they have not given anything in return. It is unquestionably a sound and altogether important principle that every worker, both of brain and hand, after discharging his communal obligations has an indefeasible right to the property he produces, and there are only two legitimate ways by which he can divest himself of it, viz., either by gift or exchange. If he is protected in this right his title to his own property must remain in him until he voluntarily divests himself of it, whatever use may be made of the property itself.

Rights of private property violated.

Rights to one's property.

Aside from the individual's duty to contribute to the government for public purposes and such voluntary contributions as he may choose to make to communistic causes, it is clear that his right to his own property should not be invaded. The *sacredness* of private property, to use a pet phrase of those whose practices are least in accord with the principle, should attach to everyone's private property from the lowest menial to the highest magnate. If this were done, capitalism would become impossible, for its life tenure hangs on the special privilege

of violating the rights of private property in the hands of its original and rightful owners. In this expropriation we find the basic and ineradicable antagonism between those class interests commonly called Capital and Labor. It is not to be denied that abuse from either or both sides of the controversy greatly aggravates the situation, but the point to be impressed is, that if no abuses existed, if the employers only expropriated so much as was actually necessary to highly efficient production and used it exclusively for that purpose, and the workers worked ever so efficiently, there would still remain like a thorn in the body politic that resentment that must follow injustice and that spirit of suspicion and mistrust that fills the breast of him who succeeds in taking from his neighbor any part of his goods without giving adequate return therefor. If, then, capitalism in the ideal shows such fatal moral defect, what can be said of it in its practical, everyday grossness?

Capital and labor.

The fact that the very life of capitalism depends upon its ability to take from the worker a part of his earnings without compensating him for it makes of it a lawbreaker, a disturber of the peace, a source of infinite manifestations of evil. Under it the fundamental reason for coöperation, service, is obscured by an ever increasing greed that fattens upon what it feeds upon and, octopus-like, reaches out its tentacles to grasp in its strangling embrace all material wealth, power, and control. The mere material deprivation is perhaps the least harm that it occasions.

Capitalism necessarily produces evil effects.

Mutual effort for mutual benefit is the law, and if the distribution is not in accord with it and the worker does not receive the full result of his

The law of coöperation.

effort, there follows a corresponding loss in effectiveness and a dissatisfaction that is directly repressive in its effect. When the owner of the productive machinery assumes, as he must do under capitalism, to take to himself an undue share of the common benefit, this act carries with it discord and contention that injustice and violation of fundamental law always superinduce.

If the ethical method under which each worker receives his just share of the production is not employed, the division between employer and employee becomes a confused process filled with incongruities that defy analysis and proper classification. To depart from justice, the polar star of economics, is to drift without rudder or compass. Under such conditions there is no law, no morals, only a struggling horde of selfish mortals acting without reason, without right, impelled by insane desire to get possession of material wealth without much concern about the methods of accomplishing the desired result. In the mad struggle the highest thing to be hoped for is the acquisition of sufficient power to crush out the independence and life of the weaker elements.

Selfish struggle under capitalism.

Under practical capitalism, the insurance fund, the amount taken to increase the invested capital and to pay returns to the owners of the business organization, is represented by the net earnings or profits of the operation. In making the addition to the cost of the service to get these profits, the rule is to put on all the business will bear, that is to say, to set the sale price at the point that will yield the largest net returns. This does not necessarily mean the highest price that the owner could exact. There is a point at which, if the price is further enhanced, it causes a diminution of consumption, and

Net earnings.

All the business will bear.

therefore the article at a lower price with increased use will yield a larger sum of profits at the lower price than it would at the higher.

Capitalism's ever increasing exaction.

Capitalism requires that invested capital shall have its return, therefore the amount expropriated from the workers one year becomes invested capital the next, thus requiring each year a larger share of the workers' production to pay this additional return. Thus it is obvious that progressively the capitalists will, to the extent of the addition to surplus, increase the percentage of their ownership of the machinery of production and transportation, and the workers must constantly undergo greater spoliation.

It is possible that even under this condition the workers may receive even more than they did formerly because the greater aggregation made by the owners may increase the efficiency of production to such an extent as to enable them to give the workers quite as much and possibly more than they before received and expropriate only a part of the actual increase resulting from more efficient production. This process can continue so long as production is being constantly improved, but when a high degree of efficiency has been reached, as must at some time happen, the additional exaction of capitalism must have the effect of constantly reducing the worker's share. Carried through its logical course, capitalism must eventually reduce the share of the worker to a scale that will yield only a sufficient amount to sustain him as a work animal and preserve sufficient virility to reproduce his kind. In a fully developed civilization under capitalism, it would seem to be necessary that a static condition should eventually exist, under which even the expropriator must abate his exactions sufficiently to maintain the above referred to status of the laborer.

A "fair return."

If a capitalistic enterprise begins operation with a million dollars it demands a "fair return" on this amount, and when this exaction from the public amounts to an additional million it proceeds to claim a "fair return" on two million. The simple public has furnished this additional capital, yet is called upon to pay double the amount that it had to pay for the use of capital before it permitted itself to be exploited. In other words, the more the people are exploited the larger the amount they must pay, presumably as a punishment for their ignorance in permitting the exploitation. This unmoral practice of taking the private property of the workers without consideration is bad enough, but insult is added to injury when the exploiter compels the losers to pay more tribute because they were despoiled. The existence of such a wrong is a sad commentary on the mental capacity of a society that permits it.

Unjust exactions.

If the rights of private property were to be asserted and it had to be returned to those to whom it ethically belonged, there are few capitalistic organizations that could make restitution and remain solvent. Under conditions as they exist to-day, practical considerations make it much more important to sustain the right to retain possession of property acquired by exploitation than to defend the rights of those who rightfully own what they possess.

Each permissible coöperation should have social service for its object, but the existence and the success of the capitalist system depend upon the exercise of special privilege that enables the privileged class to levy tribute upon society, and naturally the acquisition of profit becomes primary and service secondary. Under this condition the maxim becomes, "Get all you can, giving as little as possible in re-

Profit first, service second.

turn." Capitalism is responsible for the spread of this dishonest and thoroughly reprehensible doctrine. Like leaven it has permeated the whole social body and influences practically all elements of society. Buy in the cheap market and sell in the dear one is not confined to the employer and trader, for it has made a deep impression on the workers' consciousness and they, too, practice this rule of capitalism, getting all they can, many of them giving as little as possible in return. Generally speaking, the employer is ever ready to denounce the worker for his insatiable greed, his dishonest inefficiency and neglect to perform his part faithfully, seemingly oblivious of the fact that both he and the worker are conforming to the same principle. Each is doing his best to get more than he gives.

Employer and employee affected alike.

The more astute owners of the social machinery realize that the continuous operation of exploitation dangerously narrows the foundation of capitalism, and therefore are trying various methods of increasing the numbers of the exploiters so as to give greater stability to the system. A favorite plan is to induce the workers in the various operations to become stockholders and thereby become sharers in the ownership of the surplus. If the employees in all manufacturing and industrial operations could be induced to invest their savings in the shares of their respective enterprises and thus become beneficiaries of the exploitation it would still leave in the exploited class a large proportion of the workers, notably the farmers and salaried classes in non-industrial and non-commercial op-

Spreading the base of capitalism.

Enlarging the exploiting class not a cure for exploitation.

erations. In other words, if the employers and employees in any given industry or undertaking having the power to name the price of the service should coöperate to share fairly between themselves the profits resulting from the operation, the only effect of it would be to enlarge the exploiting class and it would in no sense be a cure for exploitation.

Poisoning the springs of education and benevolence.

It is charged that the possessors of great wealth, largely invested as it must be in the instruments of production and transportation, are bestowing with liberal hands a part of their holdings in these monopolistic enterprises upon educational and benevolent organizations with the purpose of creating a community interest in the existing order. It is obvious that these institutions, when their life and growth are made dependent upon the success of the earning power of private monopoly, will naturally exert their influence to maintain it. It is further charged that educational institutions are made the beneficiaries of *spoliation* so that their teaching of economics and ethics may be made to conform to the demands of the capitalist system. It will be readily seen that such a condition would offer an inviting opportunity to prejudice the minds of the youth of the land in favor of the existing order and at the same time poison the very springs of truth. Whether these charges are well founded or not is a matter that might well be investigated, for nothing would be more detrimental to the progress of free government and social development than to permit the existence of such a powerful influence directly interested in the suppression of truth.

Is economic expression free?

It would be informing to know how many universities and colleges in this country at present allow free expression on economic subjects if it chances to be adverse to the established system.

The nearest possible approach under private initiative to a proper remedy for exploitation will perhaps be found in private coöperation under which the coöperators furnish the necessary aggregation of capital to operate efficiently for the members. In such case only the members would be served. If the service were extended to outsiders who had not contributed the capital required, it would give them an advantage over the members which would not be conducive to the growth and life of the enterprise.

Private coöperatives.

Profit sharing not a remedy.

A combination of the employers and employees to insure larger profits and higher wages is by no means a remedy for exploitation. The effect of such a policy would be to aggravate it. In such a case a community of interest is established for the purpose of increasing the exactions which the public must pay. Expropriation is none the less indefensible because the number of the exploiters is increased. Profit sharing, except in so far as it may be a method of adjusting wages more equably, holds out little hope of solving the problem.

The ultimate effect of capitalism is to make a few rich and many poor. Under this system the important thing is to get control of the machinery of production and transportation. This machinery represents the most stable form of capital. It requires less effort to keep it in repair, or expressed differently, its reproduction is extended over a longer time than more mobile forms of wealth. The

Capitalistic control of transportation.

thing of most importance, however, is that it puts in the hands of its owners an instrument which is used to compel the public to surrender an excessive part of its productions for the service rendered. The owner of the mill regulates the toll, the manufacturer names the price of the finished product, and the railroad names the rates at which it will haul freight and transport passengers. It may be answered that commissions and other agencies have been instituted by the public to deal with such cases as involve the need for public protection, but it has already been shown that if capitalism is to be the prevailing economic system, it, in order to live and grow, must be permitted to exploit the public, and if supervising agencies, representing the public, restrict exploitation below a certain point they make satisfactory service impossible. These agencies are, then, under economic necessity to refrain from eradicating the evil inherent in the system.

Public regulation impossible.

Ownership and control are inseparable. If public agencies are really to control, then the public must own. What practically happens, so long as private ownership lasts, is that the owners control the public agencies. No reflection is here intended, nor should any be inferred, upon the probity or good faith of these commissions. The idea that is intended to be conveyed is that the public has created these commissions and given them an impossible task. It has elected to have a system that lives, moves, and has its being by virtue of exploitation, and at the same time has created commissions to control it, but has decreed they must do so in such a way as to preserve the system intact, an utterly impossible proposition! The child-like faith of the average citizen in the efficacy of regulatory statutes to correct the evils arising from the application of unsound principles is tragic in its simplicity. Neither time nor experience seems to dwarf it. Each

succeeding legislative body brings with it its flood of such bills, which as remedial agents are not worth the good white paper upon which they are drawn. Like the believers in the old-fashioned, large, nauseous bread pills, a gullible public swallows with avidity these legislative nostrums without adding the proverbial grain of salt. Apparently no effect follows these doses except an increase of the public's desire for demagogism and political charlatanry, which a horde of willing servitors do not appear to be able to satiate. While this state of the public mind lasts, the lobbyist may feel that his trade will flourish and the exploiter may continue unmolested the practice of divesting Simple Simon of his surplus.

The exploiters few, the exploited many.

Reverting to the proposition of increasing the number of the beneficiaries of the profit taken from the workers, it is obvious that it is impossible by a voluntary association to get any considerable proportion to become investors, hence a large class must remain outside who would be exploited and the ultimate effect of the policy, even under the most benevolent direction, must be to vest the ownership of the means of production, transportation and transmission in the hands of the few wealthy, and while it may not follow that the poor would become poorer, the few rich would surely become richer, thus increasing the disparity between the many very poor and the few very rich.

The evil of capitalism is capitalism itself.

Capitalism, then, is a cause of class division. Its existence depends upon privilege and nothing save its elimination can cure this defect. The greatest evil of capitalism is capitalism itself. It cannot distribute the benefits of coöperative effort with even-handed justice and therefore under the most altruistic purpose it must fall short of reaching the standards of morality that

would entitle it to be considered as a permanent system. It owes its origin to social imperfection and its foundation must of necessity crumble as man lifts himself higher in the scale of intellectual and moral advancement.

Capitalism, then, is a system more easily apologized for than justified. Its method of division between the employer and the worker must of necessity be unethical. It makes an impassable gulf between the two classes that it creates and prevents that efficient coöperation upon which depends the realization of the highest possible efficiency. It arouses the jealousy of each class over the success of the other, and is directly responsible for the unreasonable demands that the one makes upon the other in the effort to share in the supposed exploitations that either of them may have perpetrated upon a helpless public. The causes of such destructive processes are inherent in the system itself and therefore are ineradicable under it.

CHAPTER VI.

BUSINESS CO-OPERATION.

The basis of social organization is coöperation. Its origin dates from the time that the first two mortals came into social relations. In a broad sense, each part of the social mechanism is related to all other parts and must coöperate with them. All are instruments of social service devoted to the central purpose of supporting the social unit, supplying its needs and gratifying its wants. To these agencies of service we shall apply the collective term "business." It may be observed that business being an important part of a coöperative unit must of necessity be coöperative itself.

Social mechanics.

Historically, it is true that mankind has always been averse to coöperation. Its growth has been resisted at all times. Men have tolerated little more of it than force of circumstances compelled, but regardless of the inertia and opposition that it had to overcome, it has moved along slowly, it is true, but resistlessly toward its goal.

Mankind averse to coöperation.

Here, too, we see that natural instincts will and must find expression. Human beings belong among the classes of gregarious animals. Coöperation is the law of association. Man can no more resist its mandates than matter can make itself independent of the law of gravitation. As the means of transportation and transmission are improved, making social intercourse easier and the exchange of communications more rapid, the necessity for coöperation becomes more imperative. The services re-

Coöperation, the law of association.

quired by society compel coöperation. No single agency can perform the entire task. The man who cultivates the ground must take the raw products to the transporter who carries them to the mills and factories which send them to still other factories that finish them and send them to the wholesaler who sends them to the retailer who delivers them to the consumer. The entire process is coöperative. Neither prejudice nor anything else can change it. Coöperation lives and grows because of its capacity to serve human needs, to satisfy human wants. These needs and wants increase as the mind of man expands to conceive them and only a declining civilization can diminish them.

The foolish efforts that people make to retain the benefits of coöperation and yet get rid of coöperation itself are always futile. The more or less general opposition to the growth of it proves that its development proceeds more rapidly than the mentality of the public. The growing intelligence of the people finally overcomes these destructive tendencies and they first accept, then regard as indispensible, the very things they vainly tried to destroy. The opposition to the introduction of machinery and the change from small unit production to large are notable illustrations of the destructive, reactionary attitude that ignorance always assumes towards all improvements of method.

Human inertia.

Thinkers, advance agents of civilization.

The growth of coöperation, as already stated, is always in advance of the intellectual growth of the people, the reason being that the improved methods are the work of the thinkers who are always far ahead of the multiude. They are the advance agents of civilization, the prophets and teachers who often at a heavy, sacrificial cost, lead and sometimes drive the less advanced multitude up to higher planes

than they of themselves would ever have reached. How many countless ages has this besotted, bestial mass aimlessly wandered in the wilderness of ignorant selfishness, waste, and inefficiency, when if it had only opened its eyes and entertained the vision it would have realized that Canaan with all its blessings lay invitingly before it! Indeed, having eyes it saw not and having ears it heard not, apparently preferring to believe lies that it might be damned! After all, it may have been best that man should go through these painful, evolutionary processes in order to prepare him for better things. When the inertia and hopelessness of the mass are considered, one may reconcile himself to any system, however crude, that would promise to lead out of the regions of despair.

Business, as already pointed out, began its existence as a part of a coöperative whole. Its various elements were composed of small units and were often intensely competitive. As the social parts became more closely interrelated, a process of elimination began, under which the weaker and less efficient factors began to disappear and the remaining units of service gradually grew larger. It is not material to this discussion whether the elimination was effected by the destruction or the absorption of the smaller units. It at least happened and still continues to do so.

Business began in small units.

Community of interest.

The larger the units grow the closer they get in touch with each other, and the constant tendency is to establish a community of interest between them, if not in the actual results of the operations, at least in the things that affect the general welfare of the particular classes having common interest. This closer relation between the members of the classes is in a sense a re-adaptation and extension of the old guild principle.

Associations, Chambers of Commerce, and similar organizations are entirely coöperative and are intended as media through which particular lines of interest may exercise their influence in the promotion of that which they wish to accomplish. Incidentally it may be said that these coöperative instrumentalities are often the vehicles for spreading the propaganda of the more astute leaders and enlisting the support of the full membership in behalf of measures which are not always, nor even often, in the interest of the uninformed majority that is usually ready to give its assent most readily to propositions it least understands.

Organized propaganda.

So well organized is this business of spreading propaganda, the press, the magazines, and every avenue of publicity are so often filled with it that escape from it is well nigh impossible. It is to be feared that this practice has become so efficient, that it has poisoned the sources of information to such an extent that the public is too often given, instead of the facts, only the things which organized business wants it to believe as facts. This propaganda covers all fields from the election of a president, the congress and the legislature of the states, down to the raising and marketing of pigs. The tremendous power of business over the press is hardly suspected by the ordinary citizen, and unless one is gifted with exceptional ability to read between the lines, the printed page cannot at all times be accepted either as a guide or a reliable source of information.

Perhaps the most potent reason for this condition is the fact that the publishing of newspapers and magazines is a business, dependent, like all other business conducted under private initiative, upon profit for its life and growth, and there is, then, a common interest between it

The influence of advertisers over the press.

and the propagandists who are also subordinating other things to gain. This brings the policy of the publisher under the domination of the counting room, which makes the publication fill the needs and wants of the advertiser from whom it gets its major support. In theory, the editorial department of a publication should be entirely distinct from its business management. The former should be the medium through which unbiased opinion and impartial judgment would find expression. The advertiser should receive his money's worth in the publicity afforded him in the space he buys, but there is little doubt that this condition in far too many cases no longer obtains. The more probable supposition is that the serpent of greed has extended its slimy trail from the counting room through the editorial sanctum sanctorum with the result that the editorial columns, instead of containing expositions of truth, have in many cases become the vehicles of propaganda designed to promote the interest of the advertisers who pay most.

Financial interests influence editorial policy.

It is apparent, too, that the powerful financial interests become increasingly more insistent that editorial policy shall be in accord with the things they desire to promote. Either through patronage, partial or entire ownership or community of interest in publications, the direction of public opinion is falling more and more under the power of business. To such an extent has this already become true, that the public ear is no longer given an opportunity to hear much of that which business interests do not want known. It is not intended to say that this condition has been effected through corruption as this term is generally understood. Much of it comes from the community of interest that naturally follows coöperation under private

initiative. The publication that counts for much is no longer the production of one or a few individuals with small capital. It is a large organization requiring very large investment. It falls naturally to the rich and powerful and they either have other large interests or are in friendly coöperation with those who have.

Capitalism makes control of the press necessary.

The publishing business functions on the profit principle just as all others do, hence there is a common bond, a mutual interest that compels harmonious action. Business is a class interest, the publishing business is a part of it and therefore naturally and inevitably becomes a class instrument. It is the vocal organs of the capitalist system. The more highly this system is perfected the more necessary it becomes that public opinion should be controlled, and the more urgent the need that propaganda should be dexterously woven in both the news and editorial fabric.

Railroad influence on the press.

Perhaps in no class of business has this art been more highly developed than among the financial interests controlling the railroads of the country. Senator Robert M. Lafollette, in a speech in the United States Senate, Feb. 21, 1921, said of it: "I know that there was organized immediately a publicity scheme for perverting the truth. The railroad executives who were at the end of their resources put up the pitiful face of having been wronged by the taking over of the railroads by the government. But their agencies of publicity are without limit in the United States to-day, and have been for many years. They were able to create, all the while that the railroad system was under government control, a false public sentiment; they were able to drive into the public mind a wrongful statement of every-

thing that pertained to government operation. The truth will ultimately be known." During the period to which Senator Lafollette refers almost every avenue of publicity reeked with their propaganda against government operation of the railroad. It is doubtful if at any period there was ever so great effort made to prejudice public opinion or so reckless disregard of facts shown. The result must have been exceedingly satisfactory. The public fairly reveled in the misrepresentations and false arguments sent to it by the ton, and that weakness of human nature to join in destructive hue and cry insured the sympathy and coöperation of the ignorant multitude who, at the behest of their designing masters, have always been especially efficient in riveting their own chains.

The public fooled.

The banking interest leads.

In the matter of leadership and control of business, the banking interest may be said to dominate. The few leaders in the financial centres initiate the movement and it is passed down through the ever widening circle of Chambers of Commerc, business associations, Boards of Trade, and correspondents until it has overspread the country. In this way they exercise an influence quite out of proportion either to their number or to the amount of resources they command. The small bodies do not consider their own aggregate importance. Each small unit compares its own lack of importance with the relative strength of its greater mentor and falls in line to swell the size of the army of followers ready to accept the suggestion and do the bidding of the few leaders, who aggregately are relatively much less powerful than their followers, thus presenting a case of the keeper leading the elephant.

The keeper leading the elephant.

Growth of class interest. The present rapid growth of class interests due to greater coöperation has no parallel in history. The principle is very old but the extent to which it has been developed has never before been equalled. When it is considered that the development of a class interest in any sphere of human activity necessarily causes the same thing to take place in other avenues, it is plain to see that the great concentration in banking, manufacturing, and commerce must incite the same thing in labor, agriculture, etc. Whatever else may be said of the present civilization, it is not proceeding along that line of common interest that has generally been supposed to be an indispensible prerequisite to the successful development of the democratic ideal.

Extension of banking activity. The banking interest has greatly extended its power and influence over business and is rapidly coming to dominate. Not satisfied with the narrower sphere of banking as it was formerly understood, it has branched out into transportation, manufacture, and commerce and is becoming more and more a dominant factor in every important field of human endeavor. The constantly increasing *rapprochement* between the banking business and other business is an entirely natural result of increased coöperation. It is true that banking and credit are just as much a department of business as purchasing material or manufacturing it.

In theory, the fully developed, efficient business would have its banking department and therefore the closer relations now being established between business and banking are an indication of an evolutionary advance in the right direction. It may be confidently expected that these relations will continually grow closer and those controlling the credit resources of the country will become to a still greater extent than now the owners of the instru-

ments of social service. Expressed differently, the banking business is in a broad sense only a department of that collection of businesses that make up the unit of social machinery, i. e., the machinery of production and distribution, the control of which under capitalism must progressively concentrate in the hands of the few rich. When we speak, therefore, of the extension of banking control into new spheres of social activity, what is actually meant is that the owners of the banking business are acquiring an interest in other branches of business. It is in the last analysis these relatively few people, rapidly becoming dominant in social service activities who are the center of power, and the organizations of transportation, transmission, manufacture, and distribution are the instruments which they use to levy tribute. The profits derived from this source constitute a fund from which new investments are made, thus enabling them to acquire an ever increasing share in the ownership of the instrumentalities of social service.

Wealth by accretion.

It is doubtful if society has even an approximate estimate of the extent to which concentration of ownership has gone. The profit fund accruing largely to the few, like a snowflake started from some lofty peak, rapidly grows by accretion until it finally becomes an avalanche. Just so the tribute taken from the people, becoming capital and in turn demanding a return for its use, through extension of investments is yearly concentrating in the hands of the few a larger percentage of current production and insuring an increased degree of monopolization of social machinery. If the process is continued it is manifest that it is only a question of time when the few rich will have the rest of mankind in a state of vassalage.

It is to be noted that business coöperation establishing as it does a class interest, forces a division between those

who work and those who own the machinery, but with the latter class should be included the workers in the managerial class, who on account of better compensation and hope of promotion will naturally take sides with the owners against the elements who do the more humble work.

In whatever conflict may arise between the workers on one side and the owners and the managing workers on the other, each class will seek to gain the support of the outside public. In this struggle between these two classes the business elements, whether directly interested or not, and the general public will usually give at least their moral support to the business class, while the working class immediately involved must rely upon their fellow workers for what assistance and moral support it can hope for. The lack of intelligence and solidarity among this class makes its support uncertain and inefficient. Business in such a contest has all the better of it. It has wealth, power, and political influence. It can go through strikes without seeing its children suffer for bread and shelter, but what constitutes its most powerful weapon is the ownership of the social machinery. The stoppage of this affects the comfort of the consuming public, who are unwilling to suffer inconveniences in order that wrongs, however grievous, may be righted. Business desires to keep the mills grinding and the trains moving because it is in its interest to do so, and society gives it hearty support in whatever action may be necessary to accomplish this purpose. The worker cannot carry out his program constructively. He must act destructively and in doing so must cause not only business but the general public to suffer inconvenience and loss. Business can perpetrate its

The public supports the business class.

Business acts constructively.

The workers act destructively.

wrong within the law and without causing society inconvenience, hence can invoke the aid and support of both.

Selfish human nature would prefer to be served by slaves rather than not be served at all, and for this reason the worker can never hope to enlist the support of the public in its effort to accomplish its ends if the same public is to be deprived of the social service that it prizes more highly than it does justice or principle. The workers, if they are to succeed, must adopt methods of redress that do not collide with this human or inhuman trait, as one may choose to call it. The public will patiently submit to being robbed either by business, the workers, or a combination of the two, but deprive it of the service it requires and it is up in arms at once.

The public against interruption of service.

Business coöperation seldom takes a destructive turn so far as the public is concerned. If it adopted the lockout as a means of either offense or defense, it would encounter the same public opposition that is shown against the strike. Business has this great advantage over the workers, it can name its terms of employment and therefore is always ready and willing to supply the needs and wants of the public. If its conditions cannot be met by the workers and they feel compelled to cease work, the public, always superficial, rarely looking to first causes, holds the workers responsible for the interruption of the service and accordingly joins with business in the effort to compel the resumption of business activity.

Business coöperation reflected in politics.

Business coöperation in finance, manufacture, and distribution must of necessity be reflected in political activity. Business under capitalism necessarily involves a special privilege. Special privilege is a social cancer which, when once allowed to develop, proceeds to permeate the entire body

politic until the surgeon's knife eradicates it. Inevitably, business developed under capitalism and depending upon special privilege for its life and growth must exert its influence to prevent the enactment of laws that are unfavorable and to promote those that are favorable to its interest. Special privilege exists either because of the lack of proper organization or because of special grant from the sovereign power. The first calls for more law in the public interest and the second suggests the repeal of such existing law as may confer special favors. In either or both cases it becomes highly essential to its success that business should bring about the closest coöperation between itself and the government. It must have control of the law-making power in order to prevent the enactment of law that would endanger its welfare and even its existence.

Special privilege the basic principle of capitalism.

The basic principle of business under capitalism is special privilege and if this is withdrawn the system itself must fall. Therefore, there is no limit to what it not only would but must do to preserve its life. It is under an impelling motive to control legislation and to have a judiciary that will construe the constitution and laws in accord with the idea that the capitalistic system must be preserved. It goes without saying that the need for a sympathetic executive is equally imperative.

When it is recognized that the principles of special privilege and those of democracy are utterly at variance it will be obvious that the antagonism between them will grow increasingly intense as they are developed. If both continue to develop, a final death struggle between them will be inevitable. Assuming that civilization will continue to advance, that democracy is to live, it becomes evident that business under capitalism in increasing coöp-

eration is busily engaged in digging its own grave. The more it grows, the more efficient it becomes, the more fully it becomes able to conform to all that could be expected of it, the more nearly does it approach the stage when it must of necessity give way to a higher form of concentration of effort.

CHAPTER VII.

LABOR CO-OPERATION.

Coöperation of workmen.

Aside from that general coöperation in social activities in which all except the dependents and shirkers engage, the workers ranking below the owners and managing workers coöperate in varying degrees among themselves. The general object of this is to get benefits for the participants that they cannot get so well without it and in this respect it is not different from other classes of coöperation.

Necessity of labor coöperation.

In a system of social development that necessitates class interests, it becomes necessary that the workers of all grades should unite for their improvement and protection. The fact that they often misuse the power that combination puts at their command does not prove that they should not have it to be used for proper purposes, nor does the fact of such misuse differentiate them from other classes possessing coöperative power, for the latter are equally guilty of committing this wrong.

The workers are under the same imperative necessity to organize that employers are. The latter must be economically efficient if the large productive unit is to displace the small, and the workers must coöperate with the employers in the general purpose of production. There exists, however, a diverse interest in the matter of division of benefits which makes it absolutely essential that the workers should organize as a class so that they will have, as nearly as may be, equal economic power, in order that they may meet employers upon equal terms when questions involving contracts and division of benefits

Freedom of contract.

arise. If employers and employees are to maintain proper relations, freedom of contract must exist, for without this indispensible prerequisite, no real contract can be made. To make such a contract, the minds of both parties must meet willingly. A forced agreement, when either or both parties are under compulsion is not in accord with the principle of contracts, but is made under duress and while it may conform to the letter of the law and be enforcible, it is nevertheless a product of force. It is the imposition of terms upon the weaker by the stronger. The form of the force employed in no wise improves the character of the transaction nor does it alter the nature of the effects that follow it.

Contracts of force.

The workers may accept the employers' terms, not because they are willing to do so, but because they regard them as more tolerable than that which would follow if they did not accept. They might prefer to work for a scant living because not to do so would deprive them and their families of all means of a livelihood. They might contract to work an unreasonable number of hours because the failure to do so would deprive them of any opportunity to work at all. On the other hand, the employer might contract to pay wages that would involve him in loss because not to keep the operation going would occasion a still greater loss, or he might agree to shorten the hours to such an extent as seriously to reduce the efficiency of the operation rather than fail to carry out contracts that he had already made and that, if breached, would permanently injure his business. Agreements of this character are not in any true sense contracts. They are simply conditions imposed by the victor upon the vanquished and will stand until the latter again feels that he is in a position to refuse further to comply with them.

Contracts under duress.

Intention the basis of contracts.

The preliminaries to a contract are vitally important. To make a genuine one, there must exist among all the parties to it a desire to agree, and this desire will only be present when each feels that his own interest is fully protected and that there is in the act some substantial benefit for himself. Contracts are usually socialistic in character in that they are made on the assumption that each must receive adequate consideration for all that he concedes.

The ideal contract is that which assures equal and exact justice to all concerned. The motives of the contracting parties should spring from an honest purpose. Under this conception of the nature of a contract, neither the employer nor the employee should wish to overreach the other but both should aim to arrive at terms that would be fair to each other. The rule should be fairness in essentials and accommodation in non-essentials.

Mutual consideration should control contractors.

The idea of the employer buying labor in the cheapest market and the worker selling his services in the dearest is entirely at variance with the spirit of fairness and mutual consideration that should control both sides in making contracts. Such an attitude of mind brings the matter of that which should be a friendly adjustment down to the low plane of disreputable horse traders, each seeking to put over on the other the more inferior animal, a game of force, fraud, and duplicity which does not end with the signing of the contract but follows the operation under it to its end. It starts both parties out with disregard and distrust of each other and leads to reprisals that seriously impair the efficiency of the operation. The employer, believing that the worker feels no particular interest in the welfare of the business and that he is at every opportunity seeking to give as little as possible for

the wage he receives, and the worker, on the other hand, thinking that the employer cares nothing for him except what he can get out of his labor in the way of profits, are not in a state of mind that makes either for peaceful or profitable coöperation. To the casual observer, it seems obvious that both sides too often start wrong.

Unjust contracts injure both parties to them.

A human problem.

It is plain that far better results might be expected if both would get their fundamental concepts in better accord with common sense and good morals before undertaking to come to a common understanding and agreement. The thing that seems plainest, yet which is oftenest overlooked, is that the employer and employee problem is one of human nature, and that any satisfactory solution of it must be in accord with human instincts. To undertake to make labor a commodity to be bought and sold in the market like beans and potatoes, or to make capital an entity, confusing it with the person who employs, is nothing less than an effort to becloud the issue and make a proper analysis and correct solution of it more difficult if not entirely impossible. Divested of these imposed obscurities the matter is reduced to the very simple proposition of searching out the right and justice of the case and writing into the contract the best judgment of all parties concerned, thus putting behind the instrument their collective conscience to enforce its provisions. This may be regarded as ideal, but it is no more so than the laws against theft and murder which are enforcible only to the extent that the public judgment and conscience justify their penalties. In other words, the agreements between employer and employee must have moral sanction in

Labor not a commodity.

Capital not an entity.

order to enlist the support of public opinion in carrying them out because public opinion is and always will be the most powerful force for compelling the fulfillment of social obligations.

So long as these two classes are on the plane of the beasts of prey which fight over the results of the chase, just so long will there be industrial strife with its resulting inefficiency, waste, and destruction. The first essential to a contract is a thorough understanding by both sides of the things which both must concede, that is to say, the conditions that cannot be changed even by mutual consent.

In a contract under capitalism the following things must be granted:

1st. That the capitalist must have a return on his capital.

2d. That the employer must be allowed to take a requisite sum to set aside as a reserve against losses.

3d. That the excess of this reserve belongs to the owner of the business and is the source from which the expanding needs of the business are to be met.

4th. That which is left of the production after providing for the first three classes is the wage fund from which all the workers, including owners, managers, and all others who contribute labor to the operation must be paid.

The pay of capital the controlling consideration.

The division of this last fund should be strictly in accord with the socialistic rule that each worker, whether of high or low degree should receive pay in the proportion that his effort contributed to the result.

Wages are paid first, but they are regulated with the view that full provision shall be made for the preferred

obligations because without a belief on the part of the owner that such will be the case he will not contract at all. If he errs in judgment and the residue remaining after the payment of wages is insufficient to meet these demands, the business is unprofitable and will be abandoned if it can be continued only on this basis.

It is not intended in this connection to deal with the ethics of capitalism but only to call attention to the essential things that are prerequisite to a contract between employers and workers under it. It may not be amiss, too, to call the attention of employees especially to the fact that the employers are no more responsible for the existence of this unjust system than they themselves. It finds its support in that ignorant greed that apparently rules in the breast of most men, tempting them to get all they can from others and to give as little as possible in return therefor. Capitalism is an exponent of this state of the public mind and is perhaps the best system possible while that psychology continues to exist.

Ignorant greed the cause of capitalism.

Useless to attempt to prevent labor coöperation.

The efforts of employers to prevent the organization of workers will be fruitless. It is quite as stupid as was the public's fight against increased coöperation or the workers' efforts to prevent the improvement of method and the increase of efficiency through the introduction of machinery. The workers not only have the right to organize but it is their duty to do so. They should coöperate to the greatest possible extent for proper purposes. Among these may be mentioned education and training in their respective vocations, the development of their skill and efficiency, instruction in and practice of thrift and economy, the investment of their surplus earnings, the provision by in-

Duty to organize.

surance in the most beneficial form against lack of employment and for the protection of their families in case of sickness or death, the promotion of faithful and efficient service, the proper sanitary and healthful working conditions in the establishments in which they labor, the free choice and election of their own representatives to meet the representatives of the employers to discuss terms of labor, working hours, wages, and all other matters involved in the contractual relations between employers and employees.

In these and in many other things there is a mutual interest and the employees have a clear right to consider and act on them as an organized body. Any attempt on the part of the employer to deny the employee this right to act in an organized way is the first step, not towards industrial peace but war. It is the effort to substitute force for friendly agreement and arbitrary power for rational settlement. Only besotted slaves will willingly submit to any invasion or abridgment of these primary rights.

Erroneous views of organization.

The employer to-day seems more inclined to look upon the organization of his employees as an act of hostility, a preparation on their part to begin a destructive warfare upon the enterprise in which they are both engaged. The workers seem little different from their employers in this respect. They, certainly in the early stages of organization, are imbued with the importance of the labor organization as a fighting machine, a thing to be used to compel the acceptance of their terms and the concession of their demands. Both sides seem too often oblivious of the great good that workers' organizations might be to employer and employee. Were they intelligently conducted and

their possibilities for good honestly developed, neither the employer nor the employees could afford to dispense with them. It is far too common that the employee thinks of the labor organization as an instrument designed solely for getting more pay for less work.

Past sins still bearing fruit.

Considering the ages through which the master has driven the worker and his forefathers as wage slaves, showing neither mercy nor justice, it should not surprise one that he holds the views above attributed to him. These past sins are still being atoned for and much of the present difficulty of making proper social adjustments is fairly attributable to them.

Neither of these classes can be properly understood unless it is considered in its relation both to its past and to its present environment. The more humane and rational attitude of both to each other is of very recent date and marks a distinct advance. They, coming into the new light, necessarily see things in a rather blurred way. Their mental vision is still far from normal and they must have time and experience to enable them to bring themselves into proper adjustment to their new environment. It may be observed, however, that the increase of education has been responsible to a much greater degree than is generally supposed for the breaking down of the old concepts, and the introduction of new readjustments in the relations between these two classes. This fact has induced hopeless reactionaries to believe that the way to peace leads backward and that further development of the intellectual force of the workers should be discouraged. Happily this element is small. For the greater part of society

Education the remedy.

realizes that the mistakes and even the evils of limited education can best be cured by more and better education.

All progressive minds agree that the road onward and upward leads through the schoolhouse. The fact that is most reassuring to those of liberal views is that at no time in the world's history was the mass so much educated as now, nor was there at any previous time a civilization that was comparable to that which exists to-day. It has its shortcomings and even its crimes but it is unquestionably superior to any that ever preceded it. Society is more critical than formerly, which shows that its standard has been raised. It sees more, therefore demands more.

The standard raised.

Economic organization autocratic.

The social organization of the workers in the past has been autocratic, and is to a large degree so even now. The dominant note of it was represented in the term "master and servant." The problem at present is to displace this overlordship by some practicable method that will preserve and if possible increase efficiency, and the same time democratise the operation so that to each, whether owner, manager, or worker, will be preserved that individual self-respect that coercion of any kind destroys. The value of individual initiative as a factor in efficiency has never been generally appreciated. Once organized so that this most estimable and valuable factor will have full play, society would make rapid strides. Autocracy either in government or industry represses it and tends to make individual effort mechanical. It dwarfs and even atrophies the inventive faculty without which the man and the mule occupy practically the same plane in the productive field.

Individual initiative important.

Autocracy repressive.

Coöperation develops thought.

The coöperation of workers even for non-productive purposes makes them think and plan and, when this faculty of mind is called into activity, even indirectly, for one purpose, it will and must be used for other things as well. Once this power of mind is aroused it makes its influence felt in many directions. Not only will it compel readjustments in the matter of wages and working conditions but it will result in a better understanding of the economic laws governing production, thereby increasing the productive power of labor.

Intelligence the basis of efficiency.

Given a mass of workers little above the anthropoid apes in intelligence, who would submit to any conditions that the employer might impose, and who on account of their lack of understanding require very minute directions, in contrast with the same number of highly intelligent workers capable of class organization and a large measure of self-direction, there is no doubt that the latter would be far the more profitable to the employer.

The more highly workers are developed the less the distance between them and the employer. That is to say, as the workers rise in the scale of intelligence there will be a corresponding approach to the level of democratic equality between the employer and employee.

Jealous of power.

It is not strange that this process should arouse a spirit of opposition and distrust in the minds of the employers. It is a human weakness to look with great misgiving upon the dispersion of power that one holds, and to feel that the foundations of things have been rudely shaken and endangered if any change of the *status quo* is threatened. Autocrats are rarely sufficiently philosophical to appreciate that the rise in any

civilization is dependent upon the diffusion of power and the greater freedom of the mass. Moreover, it is still more inexplicable to them that this greater opportunity for the exercise of individual initiative is not inconsistent with but is necessary to a more efficient form of coöperative organization. In so far as the coöperation of the workers makes the position of the slave driver impossible, it is an agent for the increase of efficiency and the development of social fitness.

Diffusion of power.

When we consider the time that it has taken to bring political democracy up to its present imperfect state, it is readily seen that an early and complete democratization of industry cannot reasonably be expected. At best the process will be slow and the evolution must take its way through the various vicisssitudes incident to a change so fundamental in character.

Industrial democracy will come slowly.

The most difficult problem involved is the development of a spirit of accommodation in employers and employees. This must be accomplished before there will be any chance to employ practicable methods for carrying out democratic action. Once the proper psychology obtains, the methods and machinery for putting democracy into practice will easily follow, in fact, cannot be prevented. The process of preparation for the diffusion of democracy must involve the recognition of a common interest and the equality of right of both employers and employees. So well must this basis be established that there must be on the part of all a fixed purpose to give unquestionable assent to majority decrees, which can only be done when there exists the general conviction that mutual concessions lead to the equal protection of all.

It will always be found futile to undertake the introduction of methods to accomplish the general purpose in advance of the existence of that democracy of spirit upon which permanence must rest. It should be remembered that democracy cannot be made to order, and if such an attempt is made, it, like Locke's government model, will generally be found impracticable. True democracy is a growth more closely allied to spirit than to matter. It can never exist except in cases where a mutual interest is recognized.

Democracy a growth.

It has already been shown that the life of capitalism depends upon the existence of class interests, and therefore an industrial system functioning under its principles offers insurmountable obstacles to a highly developed democracy between employers and employees. The most that can be hoped for under this system is a partially developed democracy dealing always with those relations between employers and employees that involve well recognized common interests. In stating this limitation it is not intended to discourage the effort to establish a common bond between employers and employees, who in many respects are co-workers, having far more in common than has apparently so far been appreciated by either.

Production is the reward for labor and this sum of benefits must be diminished to the extent that return for the use of capital is made. The owner in large operations must have more surplus capital to take care of the growth of the business than the savings from the result of his own labor will furnish, therefore this must come out of production before the division between the workers takes

Payment for the use of capital prevents full democratic action.

place. If these deductions are not made in advance of the division between the workers they must be provided for or the business cannot function normally. It is obvious that the workers under such a system are compelled to accept as compensation, not all that they produce, as is required by the ethical principle, but only a part of it. Under these circumstances there is lacking that common interest in the process that must exist as a condition precedent to full democratic action.

In these fundamentals of capitalism there cannot be uniformity and equality. Stated differently, the moral law marks the limitations of democratic action. No majority action is permissible if it contravenes moral law. It may be that the workers in some cases would be willing to forego that part of their earnings that must be taken under capitalism to pay for the use of capital and to swell the surplus fund of the owner, but such action would be entirely too exceptional to be relied upon as a foundation for a permanent system. It would be more nearly in accord with human nature for these deprivations of the workers to remain a bone of contention, a thorn in the side of the body politic that will never be remedied until the cause is removed.

Majority action not valid against moral law.

It is possible that capitalists, owners, and workers in particular industries may coöperate to the extent of allowing each to get the desired share. Under this arrangement each of these three classes may get even more than its share. The simplest method of accomplishing the feat is to charge an increased price for the product and apportion the result between themselves. It has been charged that the coal mine owners and miners have already done it. This by no means cures the defect since it only trans-

Combination against the public.

fers the loss from the workers in that particular field to the shoulders of workers in some other avenue of effort. It is not difficult to see that the coterie of exploiters, capitalists, owners and workers have a common interest in robbing the public and doubtless could reduce all differences between themselves to mere matters of expediency to be decided by majority action. It is only in such cases that one may reasonably expect anything more than a limited application of the principles of democracy to capitalistic industry.

Relative injustice provocative of discord.

Acts of relative injustice are as provocative of discord as are those of actual injustice. A robber chieftain who does not divide the booty fairly between his followers and himself will disrupt his organization. If the employer is getting large profits, that of itself will be a cause of difference between him and his employees. He may pay them all that they produce and even more and yet they will not be satisfied. So long as they believe that they are not getting their full share of the exploitation he is practicing upon society, they, like the horse-leech, will ever be crying for more and more. They will be deeply aggrieved, not because they are denied justice, but because they are not permitted a larger share of the unjust exaction that the employer is making upon the public. The workers give most trouble in times of so-called business prosperity when the margin of profits is high. It is then that organized workers are most powerful and insistent.

Capital and labor.

Under the conditions that usually prevail coöperation will more likely develop along class lines. The owners, capitalists and managing workers will constitute a class now commonly called "Capital" and the workers will constitute another now called

"Labor." These classes will usually be found in opposition rather than in agreement and a spirit of mutual distrust and belligerency instead of harmony will dominate both of them. The law of the jungle is their code.

The law of the jungle.

> "The good old rule, the simple plan,
> Let him take who hath the power
> And let him keep who can,"

best expresses the spirit governing the relations between these classes. If they coöperate it is under an insecure truce, and when this is no longer advisable, war results. The essential elements of capitalism make this result inevitable. There cannot be fair and unfair dealing at the same time in the same transaction. Injustice cannot reap where it has not sown, keep what it has wrongfully taken and then transmute itself into justice.

Impossible to escape the effects of violation of moral law.

The ablest minds of all the ages have spent their energies in the effort to devise methods by which the exploiter could retain the ill-gotten gains and still escape the Nemesis that the moral law sends after him who violates it, but all in vain. It is an impossible task and the sooner this lesson is learned, the better for mankind. Justice, fair dealing, and regard for others are as necessary to the growth of the soul as bread is to that of the body. There can be no real progress in social development when suspicion, hate, and desire for reprisal control social action.

Justice the safe way.

The organized workers use their power principally to shorten time and increase pay, especially the latter. Regarding the former, it may

be said that within certain bounds the employer is not necessarily benefitted by maintaining longer hours nor damaged by decreasing the hours of the work day. There is a point, varying much in different occupations and to a less extent in each individual worker, where the workers' maximum production for a day is reached and if the time is either lengthened or shortened, an actual loss of production results. This maximum of production should not be understood to mean the greatest amount the worker can do for one day but it represents a higher average rate of production that can be maintained indefinitely. This does not exhaust the worker but keeps him physically and intellectually fit and insures that he can maintain productive efficiency for a longer time. The older theory of rushing the worker to extreme effort, casting him aside when exhausted, is analogous to the waste of natural resources and leads inevitably to national poverty and decadence. It is economically unsound and must tend to produce social abasement.

Maximum production in a given time.

Exhaustive work not economical.

Methods of organized labor usually destructive.

The methods adopted by the organized workers to reach their objectives are usually destructive in their nature. Behind their demands, though often thinly veiled, there is usually the purpose to resort to force if necessary. As undesirable as this may be, it has nevertheless been of great benefit not only to the workers but to society as well. It is easily conceivable that if the workers had not coöperated to acquire power and used it even ruthlessly and unjustly at times, the whole world would to-day be little in advance of semi-barbarism. The knowledge on the part of employers that too little consideration for the workers would lead to organization and reprisals has no

doubt done a great deal in improving the conditions of the workers of all classes, and incidentally has been of general benefit as well.

The average worker's conception of a labor union is that it is an instrument to be used mainly to force employers to pay higher wages and adopt a shorter work day. These have been the union's greatest achievements, and in so far as the hours of labor and rates of pay were reasonable the results have justified their existence.

It is evident that conditions are better than they would likely have been had there been no labor organizations. Conceding all this, the fact remains that our industrial and commercial life is organized and functioning on the principle of force, and the diverse class interests which are ever growing stronger and more clearly defined are constantly in a state of defense, if not actually engaged in offense. Neither do there appear any encouraging indications that the trouble is abating or that the angles of difference are being rounded. On the contrary, the divergence between these classes seems to become wider as time goes on.

Industrial and commercial life functions on force principle.

The workers become more and more insistent that a larger measure of what they conceive to be justice shall be accorded them and the employers have constantly been constrained to yield in this respect, with the result that the standard of living of the workers has constantly risen. These concessions have not so far been, relatively, at the cost of the employers, but have come out of the increase of production which developed intelligence with its improved methods and machinery has brought about.

Rise in standard of living.

The guiding spirits of capitalism long ago recognized that its exactions must be met by inducing more efficient production so that the toll would come out of the excess of

production above what had formerly been produced, else the portion of the workers would become perceptibly diminished. Were this diminution to take place, the rich growing richer, and the poor becoming poorer, there would come about conditions that would lead to disruption and eventual destruction of the present economic system. They realized that the most promising way out was through increased production which would permit capitalism to take its tribute, yet leave for the workers certainly as much and perhaps more than had formerly been given them. Thus under most favorable circumstances both classes might become richer compared with the former status. This has actually resulted but has not proven a cure since the relative distance between the richest and poorest is ever growing greater, and the demands of the workers for their relative share of the increased production is becoming more insistent.

Increased production a protection to capitalism.

The struggle that aspires first for equality never ends. There is ever present in the human being a well-developed purpose to level things down, to make opportunity more nearly equal, but man does not stop at reaching equality because, this attained, he still continues to strive to outdistance others. This purpose is an expression of the natural instinct to excel, and when it can be kept within the limitations of moral law and be employed as an incentive to promote human prowess, it deserves and should receive hearty approval and encouragement. The workers, emulating the owners, organize, then begins the struggle for recognition and consideration. The more they achieve, the stronger they become and the more they demand. They were satisfied in the early stages with a

The struggle to excel endless.

few pennies more than they had formerly received but their ideas of a standard of living expanded always more rapidly than the means of affording it.

The owners have yielded ground steadily, and nearer and nearer are they forced back to the line of last defence, that is to say, the workers, as general intelligence is diffused and they come under more efficient leadership, will understand more clearly their economic relation to the owners and realize more keenly the unmoral foundation of capitalism. Their demands for wages and better working conditions were at first reformatory in their nature but the progression will not stop with mere reform. It will go farther and become revolutionary, demanding that full justice be done, that the return on capital be abolished or at least reduced to its lowest possible terms, that there shall be substituted for capitalism a system that will not require that the surplus productions of the many be transferred without consideration to the few owners of the social machinery, and further that this machinery, vesting in the few monopolists the power of levying tribute upon society, shall belong to all the people to be used for their benefit. Whether one agrees or disagrees with the one or the other side to the controversy, he must indeed be dull of perception who does not see that the time is rapidly approaching when the struggle for a deeply fundamental industrial change will become a world problem.

Labor's increased demands.

The struggle deeply fundamental.

Thus far the reference has mainly been to industrial workers but they by no means constitute either in numbers or in importance the greater part of the working

The plebeian class.

class. From the days of Aristotle to the present time every civilization with its privileged classes has rested upon a plebeian class, a great mass of ignorant toilers who would submit to being made the hewers of wood and the drawers of water for their masters. Special privilege means this and nothing less. Its existence can do nothing less than cause the robbery of some class of workers for the benefit of the favored few.

As the industrial workers become more powerful through organization and succeed in increasing their wages, the employer proceeds to shift the added burden to the shoulders of some weaker class of workers, which for the nonce becomes the burden bearer. Perhaps no

Farmers and common labor.

classes have suffered more from this cause than farmers and what is usually called common labor. It is true that many engaged in farming, owning their own lands, are themselves exploiters of the poorer farmers who rent lands from them. The great increase in tenancy proves that this process of exploitation is going on constantly and is fast developing a subject class. It can readily be conceived that, when the exploitation which capitalism in organized industry imposes upon all farmers is supplemented by the toll that greedy landlords impose on tenants, the latter have little reason to expect much improvement in their condition.

Farmers least social-minded.

The farmers, on account of their extreme individualism which in the past has made it practically impossible to organize them in an effective way, have always been an easy mark. They of all classes are the least socially minded. Their slogan may be different but their practice is "Each for himself and the devil take the hindmost."

Promotion of production.

The productive power of the farming class has been greatly increased in the last decade. As already noted, the directing forces of capitalism have recognized the imperative necessity of more efficient production. Through teaching more scientific methods of cultivation and promoting the use of improved machinery they have tremendously increased the sum of production. As these better methods become more generally understood and applied it is entirely probable that still further increases will result.

This work of education is being done under both public and private initiative. The coöperation brought about by the educational courses designed to increase production will also make possible its use for other purposes as well. Evidence of this is already making its appearance in efforts to organize coöperative enterprises in distributive work.

Once the farming class has learned that it can act together, exchange ideas and promote the interest of all in productive effort, it will be only a step to apply the same principle to protect itself from the exactions that numberless unnecessary middlemen have imposed upon it in the past. The coöperative psychology is now being rapidly developed among farmers and very far reaching results may be confidently expected. The movement though still in its infancy is spreading rapidly. Like all new movements in the hands of the inexperienced, it will encounter its obstacles, pitfalls, and its failures but is certain to succeed in the end to the extent that its limitations are not exceeded. The coöperators would do well to consider that coöperation under private initiative has its limitations and that undertakings that overstep them are simply inviting disaster.

Coöperative psychology developing among farmers.

Coöperative manufacture.

This movement now concerns itself largely with distribution, but must later on take up manufactures as well, since the benefits of coöperation are very problematical if they are dependent upon capitalistic manufacture with its power to name the initial price for their supplies. The large units of manufacture can well afford to assist the coöperators to destroy small manufacturers and middlemen and eliminate every unnecessary expense of distribution of which they are not the beneficiaries, because all that is so saved but adds to the fund from which capital gets its return. Even if these savings were divided as they to some extent will be between the coöperators and the large manufacturing units, the latter can well afford for the time at least to promote the change. This development among producers is so far more coöperative in name than in fact since much of it is capitalistic in form and even more so in spirit. The basic desire, or more correctly stated, greed, that will not be satisfied with mere protection against exploitation from others, prompts the imposition of all that the business will bear, and in so far as this is done, the operation is not in accord with the coöperative principle but represents a shifting from one class of exploiters to another.

Coöperation in name rather than in fact.

These efforts, however, develop a class spirit and consciousness that tend to keep all classes growing in accord with the class principle that capitalism introduced. The farmer and the common laborer are simply following the example of those afforded special privileges, making of themselves classes to conform to the class environment which capitalism has created. Capitalism must have a subject class or perish.

Class privilege bearing fruit.

The ever increasing lobby at the center of government, representing every class known to exist in our social life, makes plain that the evil seeds of class privilege have brought forth an abundant crop. Should the subject classes develop sufficient power to secure immunity from exploitation it must inevitably result in the destruction of the present economic and industrial system in large production, transportation, and transmission. When the workers demand justice it means that they are asking that capitalism be displaced. It means that they insist that the opportunity of any to take more than their fair share based upon their contribution of effort shall be forever made impossible. It not only means that the rich shall be denied opportunity to prey upon the poor but also that the latter, too, shall be denied the chance to get anything more than that which they may earn by honest, efficient work.

Development of class interests lead to their destruction.

It is obvious that the equal development of all class interests must lead to the destruction of special privilege and the substitution of some system that will be able to function in accord with the democratic principle of equal rights to all and special privileges to none. The hope is that these conflicting class interests, capitalists of all kinds and workers of every description, by their greedy demands and disregard of the general interest may finally convince a majority of the people that no class is to be trusted, and that class government by whatsoever class is an intolerable tyranny negativing every principle of democratic freedom and fairness.

Man learns little except from mistakes.

It is entirely probable that the evolution had to proceed along class lines, for man learns little except from his mistakes, and even by that method he requires a wealth of example that does little credit to his intelligence. This class coöperation is making tremendous strides. It is marshalling the forces for a mighty contest in the near future that will shake the foundations of the existing social order. What have hitherto been regarded as epochal events will be insignificant in comparison with those that are impending. Decent regard for the public welfare as well as intelligent self-interest will suggest to everyone the importance of shaping public policies so that these mighty changes may be effected with the greatest good at the least possible expense. Mankind is being challenged to show its fitness to go onward and upward. May it stand the crucial test.

CHAPTER VIII.

THE TREND TOWARD MONOPOLY.

Progress depends upon the elimination of the unnecessary.

The progress of social development depends upon the elimination of the unnecessary. Waste and inefficiency are its greatest drawbacks. It is economically immaterial whether these result from improvident use of production, the inefficiency of the workers, or from the lack of proper organization. The effect in either case is the same. Society suffers a loss to the extent that either waste, inefficiency, or useless duplication of effort exists. The magnitude of this loss can hardly be appreciated. If reasonable use, efficient work, and effective organization were the rule, it is probable that a fourth of the working population would not be needed in their present occupations. With better social adjustment they could be employed elsewhere more advantageously both for themselves and for society.

Better organization of labor.

Waste by duplication of labor cause of poverty.

The waste resulting from the unnecessary duplication of labor is a tax upon useful workers in that those so employed are consuming the products of labor without giving adequate return therefor. When one contemplates this vast amount of wasted energy, he ceases to be surprised that the poor are so numerous or that their standard of living is so low. With this army of social parasites usefully employed, the production of wealth would be greatly accelerated, making possible the elevation of the standard of living to a point never before reached.

The law of being. The law of being is effective labor. This law demands that nothing be lost. To live in accord with it the highest possible degree of conservation of energy must be attained. From this law man derives authority to adopt any method not inconsistent with the ethical principle that tends to bring the social process into accord with the requirements of efficiency. When wiser use or improved method makes the employment of workers unnecessary in a particular sphere, it becomes a social duty to transfer them to some other more useful work. A multitude of little shops might be displaced by one large distributing house that could with far fewer workers do the public service more efficiently at greatly reduced cost.

Reduction in number of units. Many small factories poorly equipped might with great profit be superceded by a large organization with the best available equipment, enabling it to furnish the goods more economically and more satisfactorily. This process should apply so long as larger volume produces an economic saving. To get the full social effect of this better method, the savings effected must be liberally shared with the buying public in the form of lower prices. As a matter of history, this is exactly what has happened in the economic evolution.

Primitive methods. The provisions for meeting public needs adjust themselves to the existing environment. When there were no means of transporting products or transmitting ideas long distances, each little neighborhood was a world in itself. Here the old woman with her loom manufactured the fabrics, the blacksmith made nails, or in his absence people used wooden pegs for nails, the wheelwright made crude wagons and carts, the women pounded the corn on flat stones, as there were no

mills to grind it, and men fashioned their rude implements and weapons with their own hands. Time passed, development took place and communication, rarely at first, but with increasing frequency, occurred between this small locality and the nearest neighbor; the borders of both widened until they met, forming a larger community; the means of communication kept pace in the march of progressive development, and it became possible to exchange products over a greatly extended area in the same time and with even greater facility than formerly could have been done in the smaller district. This necessarily increased demand for manufactured products, and the old woman's loom gave place to the cloth mill, the blacksmith's trade was taken over by a nail mill, and the water or steam driven mill ground the grain. The porter gave place to the pack mule, which in turn was succeeded by the team and wagon that yielded to the railroad and canal. The faster the transportation, the more nearly instantaneous the transmission of thought, the larger the community became; the more extensive the community, the greater the variety of wants, and the greater the facilities required to supply them, hence the larger factory superceded the smaller.

Extension of the common interest.

The course of evolution.

Thus went the course of evolution in social development with its constant readjustment of means to ends. It may be noted, too, that the advent of a higher order occasioned the displacement and destruction of the lower, hence the more perfect system must rest upon the crushed remains of the less perfect which preceded it. This process by which the more efficient supplants the less efficient is ever present and operating in an ascending civilization. The peddler

The more efficient destroys the less efficient.

gives way before the small store that in turn is superceded by the department store, because the larger operation, on account of augmented volume, lowers the percentage of expense and can thus confer a greater benefit upon the public. It is this economy that makes the evolution possible.

Selfish incentive.

The principle of self-interest prompts better organization, enabling the owners of the social instrument to use it for their gain, and society welcomes the improvement because the saving effected must be divided with it. There is little altruism in economics. Man gives his sympathy to the vanquished but reserves his support for the victor, and he can always be relied upon to be true to that which he may conceive to be to his advantage. It is out of this self-interest, often degenerated into unmoral and even immoral selfishness, that the improvements of social organization have come.

From the simplest to the most complex social relation there will be found a common interest existing that holds the social body together and causes it to function, strange to say, in accord with individual self-interest. Mutual effort for mutual benefit is by no means sacrificial, but fully in accord with that intelligent, sublimated self-interest that many mistake for altruism. This principle encourages the selective process that eliminates the less efficient, hence, when better service becomes attainable it is gladly accepted.

In order to live, an organization must possess superiority both in effecting economic savings and in distributing them. This greater power of effecting savings depends largely on efficient organization and the ability to acquire at least economic cost the things necessary to produce results. These social improvements have usually

resulted from two principal causes, necessity and the power of invention. The former furnishes the stimulus and the latter seeks to devise means to ends. Each step in progress creates a new need and the inventive faculty of man is challenged to meet it. The power to organize may properly be said to belong to the inventive faculty. Industrial organization has developed in America more rapidly than in any other country, due largely to its wealth of raw material and to the protective tariff policy of the government, inaugurated something more than a half century ago. It is here that the units of production are largest and here, too, they have more nearly reached a state of private monopoly.

Material precedes moral development.

It is unfortunately true that material development comes first and the establishment of moral limitations comes afterward. The invasion of a newly discovered country takes place and the pioneers throw off restraint. Their regard for law and reverence for moral restraint disappear before the rapid reversion to primitive instincts. They react with great promptness to their wild environment. It is only after the period of discovery and exploitation begins to approach its culmination that the settlers seriously contemplate the inauguration of a reign of law and order. So long as they find unrestricted opportunity to exploit, they show little inclination to moralize. This apparently chaotic state, through which all new developments must come in the march toward higher and better things, is not without real advantage. It tears out and levels obstructions preparatory to the introduction of more orderly methods. It offers opportunity for experience from which some at least will extract wisdom.

Chaos precedes order.

Greed and lust for power driving forces.

The growth of business organization offers no exception to the rule just stated. Its pathway up from the depths is strewn with the carcasses of the weaker things that it has ruthlessly crushed and cast aside. Greed for gain and lust for power have been the impelling forces that have driven men forward. They have labored better than they knew. Their cold and often cruel selfishness, their lack of moral perception and even their violations of moral law, despite law and knowledge, have all been overruled for the public good. These evil forces, often blind servitors of a beneficent providence, continue to bring about conditions that compel closer coöperation and better social organization.

Evil overruled for good.

In this way the march toward monopoly is kept up. Those most responsible for this development are least willing to accept the inevitable results of it. They continue to strive with might and main to construct social machinery which they vainly hoped to appropriate to themselves. It is scarcely just to judge the acts of either individuals or classes except by contemporary standards. Each period has its own ethical standard. As social coöperation becomes more highly developed the moral standard rises. History is replete with instances of men who were eminently successful according to the accepted standards of their times, who at a later period for the same acts would easily have been put in penal institutions.

Each period has its own standards.

Industrial, commercial, and financial evolution has gone forward, not in accord with moral law, but in large measure against it. The social sin of omission committed originally by the public in its failure to devise proper

machinery for its own service made the unmoral and often immoral substitute system necessary.

Mania for gain.

Capitalism, dependent for its existence upon special privileges that must exploit others, has developed an inordinate greed for gain and lust for power which have superinduced a state of mind closely resembling mania. This obsession not only affects those who succeed in amassing wealth and in acquiring great power, but extends its baneful influences down to the lowest elements of society. It makes a false standard that is generally accepted, under which the mere possession of wealth becomes the token of high achievement. The ambitious and strong go forth to get it, and often are more or less indifferent to methods or morals if they make the task of accomplishing the desired result more difficult. The weaker, the despoiled classes, instead of condemning the wrongs of which they are the victims, are more likely to be filled with envy because they are not able themselves to become successful exploiters. They look with open-mouthed astonishment and admiration upon the successful looters who within the pale of the law may succeed in filching millions from others less astute intellectually, but perhaps quite as obtuse morally as themselves. This conscienceless game of grab insures the introduction of class interests and introduces a state of war between them. Each strives to master the other, and as is usual in war, all seek to organize their followers into effective fighting forces.

The game of grab.

Those owning and managing the social machinery, recognizing the common interest between them, continue to get into closer coöperation and through destruction

Capital and labor monopolies.

and absorption are rapidly bringing all these instrumentalities into harmonious relation. This compels the workers to organize as a defensive measure, and once they have become sufficiently strong, they proceed to demand a share of the spoils that monopolistic enterprise may be able to seize. There appears to be little, if any difference in principle between the monopolistic owners and the equally monopolistic labor organizations. They both are out for prey. They hunt successfully together and it is only after the game is killed that they engage in the diversion of fighting over the results of the chase.

These elements, the owners of industry and the industrial workers and their allies, find their easiest accommodation in preying upon the primary producers, who of all classes are least organized, but even they who in all past ages have been most imposed upon, now show signs of restiveness. They are rapidly developing a class consciousness and a spirit of resistance against being made the burden bearers of civilization.

Preying upon primary producers.

This rapid growth of class interests and the closer organization and coöperation that it compels is something new under the sun. History records no parallel to it. That there have been class interests in all past civilizations is true, but never before were they so general or so inclusive. These various classes, though bitterly antagonistic, are in a broader sense getting mankind closer together, humanizing and socializing it. Sordid selfishness is doing the splendid work of preparation that must precede that more perfect organization which will destroy all class interests by the elimination of special privilege. This class war or armed truce is bringing mankind into an organized state. It is compelling, as nothing has ever

Selfishness digging its own grave.

done before, conformity to the principle of leadership, without which coöperation is impossible.

Leadership essential. This process of democratization rests its hope of ultimate success, not as many suppose, upon the elimination of leaders, but upon the development of the ability of the mass to choose them wisely and to limit their opportunities to abuse their powers. Under this conception, the greatest leader becomes the servant of all. The constant effort of all classes is to eliminate the unjust autocrat and to substitute someone else who will serve more unselfishly.

Class interests tend toward democracy. This unprecedented growth of class interests, as paradoxical as it may appear, is in reality a long stride forward in the direction of democracy. The class development is the opposite of democracy. It denies the existence between the classes of that common interest upon which all democratic action depends, but at the same time it does establish beyond question that within the class there is a common bond, a mutual interest, and that class efficiency depends upon faithful recognition of interdependence.

Learning democracy by divisions. In short, class interests are compelling men to learn the lessons of democracy in divisions, and when they become sufficiently developed to perceive the extent of their mutuality of interest they will have been sufficiently trained to apply the doctrine in a larger way.

The lesser must precede and disappear before the greater. The owners and managers have been constantly extending their spheres of influence and power. The units of operation have steadily grown larger and more efficient until in many lines practical monopoly exists.

These developments have driven the workers in all lines to organize in self-defense. That still greater concentration and organization will take place is not to be doubted. The day of little things has gone, never to return.

Three stages of economic development.

There are three principal stages in this economic development:

First, general opposition to concentration;

Second, attempt to regulate it;

Third, an acceptance of the principle and the effort to apply it in the most beneficial way.

When the larger units of production, distribution and commerce first began to appear and displace the smaller, it aroused in the public a spirit of opposition that found political expression in the slogan, "Bust the trust." Stringent and drastic laws were enacted forbidding all combinations in restraint of trade, but the trusts and monopolies continued to grow under them as they had never grown before.

Stage of opposition.

Stage of regulation.

Later the courts were called upon to enforce these laws and they actually decreed the dissolution of a few of the largest, but the method of dissolution, if it may be so-called, left them even more secure in their monopolistic powers than before. In fact, their shares after dissolution became more valuable than ever. The courts could not tear down the improved methods without producing a very chaotic economic and industrial condition. Of necessity, they were compelled to go around the stump rather than through it as the letter of the law required.

Never was there a more convincing illustration of the futility of enacting laws that had for their purpose the arresting of the march of economic progress. The courts under these laws were called upon to turn the hands of the clock backward, to cause civilization to decline, and to destroy the effects coming out of a more highly developed mind-force, a task entirely beyond them. Had they construed the laws as they were written, the results would have been so disastrous that they would doubtless have led to the hasty amendment if not repeal of them, but such decisions would likely have produced serious industrial and commercial disturbances that might possibly have shaken the foundations of the government. It seems to have been a case in which the courts were left the alternative of choosing that which they might consider the lesser of two evils.

The courts powerless.

The country for some time has been passing out of the first phase into that of a belief in and an attempt to regulate the larger units. The public mind has come to recognize the economic superiority of these large aggregations and to appreciate their ability to render more efficient service. It realizes now as never before that the effect of more efficient organization with its better methods is to make possible a standard of living that would otherwise be impossible.

Large unit production beneficial.

No reasonable and fair mind will doubt that with all its faults and even crimes, large unit production in a material sense has been productive of great benefit, not only to the rich but to the poor as well. The distance between them measured in wealth is no doubt greater than ever before, but it is quite as true that all have more now than they ever had at any previous time.

Change of public opinion.

Nothing more striking has occurred to illustrate the change of public opinion regarding monopolistic development than the argument lately advanced in certain high regulatory official quarters that one of the causes of delay in getting the cost of living reduced is the consideration shown smaller and less efficient factors by the larger, thus preserving the existence of these weaker elements at the cost of the public. Surely there must have been a marked change in public psychology when the official class begins to express such views. The effort to break down large unit production has utterly failed. It would have been an unpardonable crime against civilization if this destructive policy had prevailed. In the degree that this development has progressed, the public has become convinced that these operations must be brought more nearly in accord with the service principle, and to effect this object it has been increasingly insistent that they should be brought under government regulation. The longer this experiment is tried, the more apparent the fact becomes that those who rely upon this policy are doomed to the same disappointment experienced by the advocates of destruction as a remedy for trusts.

The public relies on regulation.

Doomed to disappointment.

Efficient regulation impracticable.

In the first place, if government regulation were attempted on a scale and to an extent that would offer grounds for even a hope that it would be effective, the tremendous complexity of it would make it utterly impracticable. Such an attempt would result in the establishment of a bureaucratic interference with business that would make the country attempting it the laughing stock of the rest of the world. Busines could not function under such a system. Better

Laissez faire preferable to attempted regulation.

by far adopt the *laissez faire* method, leaving evils to develop inordinately and destroy themselves. In a practical way what would happen under a proposed government regulation policy would be that the trusts and monopolies would regulate the government instead of the government regulating them. Even now there are many indications that this very thing is getting under way and has already assumed proportions and is wielding influence far greater than the masses have conceived.

The source of power.

He is little informed who supposes that the national and state capitals are the sources of power. They are but the exponents of that sovereignty that theoretically should reside in the whole people. It is just here, however, that theory and fact part company and are daily getting farther apart. The real sovereign is that part of the people which is most active, which can exert most influence. This cannot be ascertained by counting noses. In fact, this controlling and often unseen force is vested in the very few who possess the wealth and control the avenues of public information, the currency and credit of the country and the instrumentalities of production, transportation, and transmission. These few are they who outline the public policies and see to it that the representatives support them. It is not intended to say that this result is accomplished by corrupt or even unlawful methods, using these terms in the usually accepted sense. The methods as a rule are more refined. It is effected by the exercise of financial and economic power. To be more concrete, the relatively small numbers functioning through compact organizations, such as a Na-

Government by the few.

tional Chamber of Commerce and its associated bodies, or a national labor organization and its local branches, would wield more influence in government than all the rest of the people. These and similar interests are organized both for defense and offense. Not only can they reward their friends and punish their enemies, but they are able to classify them with far greater precision than the unwieldy, disorganized masses can ever do. The latter, like the mad elephant, when aroused develop a mob fury that is impartially dispensed to friends and foes alike. In fact, it is more likely that the astute leaders of their enemies by lying propaganda and artfully conceived demagogic appeals may cause the disorganized and uninformed to vent their wrath upon their real friends. The smaller numbers, thoroughly organized, know what they want and how to get it, while the widely scattered millions with no definite objective, without intelligent leadership, blunder along from one pitfall to another.

The few reward friends and punish enemies.

Closely concentrated minorities versus the scattered masses.

For the present at least, the safety of the existing order depends upon feeding the multitude. Better organization, improved method and the use of machinery have so far made this possible, and so long as the standard of living is being raised, exploitation may with some degree of confidence be continued, but when once the tide turns, and the masses from whatever cause must submit to serious deprivations in this respect, the danger signals will automatically make their appearance.

The safety of the present order demands that the multitude be fed.

Hope in education.

The case, however, is not so hopeless as the foregoing may lead the pessimistically inclined to believe. General education is being promoted. The spirit of coöperation is rapidly developing and the ups and downs of the masses are the methods in the school of experience, teaching the people knowledge and enabling them to learn wisdom. They are wandering in the wilderness from which, when they are properly prepared, they will emerge into a happier land which they are not yet qualified to enter.

Experience the teacher.

Private monopoly serves a purpose.

Private monopoly grows apace. It is doing a splendid work in getting the social machinery in order, but it has its fatal defects that will finally prove its insufficiency and cause its displacement. It will demonstrate through its blind selfishness that it cannot be controlled. It will act its part upon the stage of world evolution and pass as other things before it have done to its final reward. It at best can only be regarded as a stage in human progress, a thing that served its time and disappeared before the succeeding order, which will mark another step upward in human progress. The coming order awaits the development of a proper psychology. Man moves under the urge of necessity and as this develops he too often, like Lot's wife, looks behind, but is pushed along by circumstances that he cannot control. He has no option but to adapt himself to his environment. He may choose to a greater or less extent the path he travels, but choose as he may, they all lead to the same goal.

Only a stage in human progress.

CHAPTER IX.

THE INDIVIDUAL IN CO-OPERATION.

Effects of organization upon the individual.

Conceding the economic advantage of better organization and closer coöperation it is pertinent to inquire into the effects that they will have upon the individual being. Society is not as some suppose, a conglomerate mass ground out by nature as men grind sausage, but a body composed of live, sentient members. Each is a separate entity having characteristics peculiarly its own, constituting individuality. Man is no exception to the law of nature that requires that of all the leaves upon all the trees, no two shall be alike. He who devises a system failing to take this basic fact into consideration invites disaster. The assumption that all men are alike and can be jumbled into an indistinguishable mass is false and the structure resting upon so uncertain and unsound foundation must inevitably fall.

Diversity the rule.

Principles invariable, methods devious.

Individuality must be given full sway, but this by no means excludes the recognition of and conformity to principles on the part of each and all. Principles never vary. They are the same to all, but method is as devious as a serpent's trail. All may be taught and required to conform to the same principles and only good will result if the principles themselves are sound, but once undertake to compel all individuals to conform to fixed methods and those who submit will degenerate into mere machines that will continually decline in potentiality. It is in method, then, that individuality will find its widest opportunity for expression.

Freedom of initiative. Freedom of individual initiative of all forms of human liberty is the most important and sacred. It might well be said that it comprehends all the forms of liberty, and without it man is an abject slave whether he occupies a throne or sweeps the streets. The right to think, to draw one's own conclusions and formulate private judgment, all authority to the contrary notwithstanding, is of all rights the highest. Once surrendered, the foundation of true character is shattered. It goes without saying that each should keep an open mind and hear without prejudice all evidence that may be available, but it should be advisory only. It should not matter from what source evidence comes or upon what authority it may be predicated, the final decision, both as to its credibility and truth, should rest with the individual himself. So long as the individual retains his right to do this he is a free man, but surrender it and he falls into the slave class regardless of birth, place, or position. For this reason it may be truthfully said that the most of mankind are in slavery.

The individual the final judge.

Self-inflicted slavery. There are those who bemoan their fate in so far as conditions over which they exercise little control have restricted their liberty, but they are seemingly oblivious of the many forms of slavery which they have allowed to bind them in servitude, when by the proper assertion of themselves they could have kept free. Perhaps there is little slavery in existence that in the last analysis was not self-imposed either by tame submission or neglect to take at the proper time proper precautions against the loss of liberty.

Causes of slavery.

The development of character and intelligence in the individual is the greatest safeguard against slavery of all forms. The sources of greatest danger to individual liberty reside in the man himself. Greed, avarice, moral cowardice, inordinate love of pleasure or power, laziness and a lack of that common honesty that is always willing to give a fair equivalent for what is received, undermine the foundation of character without which there can be no true liberty. Lacking this essential the aim is not for liberty but license.

Liberty defined.

Liberty, the greatest boon that God bestowed on man is not, as many seem to think, the freedom to do what one chooses, but is the indisputable, inalienable right to do what one ought. It is the right under moral law to live one's life so that the highest and best in it may be fully developed, and to do all things that may appear to promote the individual good, recognizing that every other individual has a similar right, and that these rights can never conflict. When conflict does arise it is an infallible indication that some one's right has been crossed and that a readjustment of relations is necessary.

Complexity of organization not a limitation of individual rights.

The right of individual initiative is in no sense antagonistic to the practice of coöperation. As men combine, their relations become complex and interdependent but this is not a limitation of individual rights. It only requires more care in adjusting the social machinery so as to preserve them. It is absurd to say that man is under a moral obligation to work in conjunction in order to promote efficiency and at the same time admit that if he does so he must surrender his individual liberty—the right of initiative and individual

judgment, the foundation upon which the hope of self-development must rest. No possible material advantage arising from coöperation could ever compensate for such a loss.

Character building the object of life.

The highest object of life is character-building, and any plan of social organization that runs counter to this eternal purpose will not stand the test of time. Deeply implanted in every human being is a yearning for freedom. This instinct in the ignorant, the vicious and the willful may be misunderstood, distorted or abused, but it is there as an agency for the promotion and uplift of mankind. An enlightened mind and a well educated, sensitive conscience are required to guide it, but without it the race would fall dangerously near the level of beasts.

It cannot be, then, that man loses his liberty as he comes more fully into a socialized state. All the individual right that he ever had was to be exercised with due regard to the rights of others. It proves nothing to say that social development is at the expense of individual liberty even if it is admitted that one may do in a lower state of civilization, where social obligation is not so pressing and immediate, that which he may not do at all in a more highly organized environment. Such a view only demonstrates that the meaning of true liberty is not understood.

The term liberty misunderstood.

True liberty consists in the right of all to do that which is in accord with moral law. It does not, however, grant to any the privilege of invading the rights of others. Liberty, then, is not license but is itself subject to law and must restrict itself to such exercise as proper regard for the rights of others may impose. Anything less than this denies the interdependence of man and disregards the social principle upon which the very existence of the body politic depends.

Coöperation for increased efficiency.

The law of association requires that closer coöperation shall result in higher efficiency. If this does not follow, the reason for joint action disappears. It is conceivable, and in fact is admitted, that there are social restraints that are limitations upon liberty, but this only proves that the social arrangement is faulty, that there exists maladjustments which should be corrected. It does not prove that the greatest and highest good cannot be reached by the closest possible coöperation. On the contrary, common observation teaches that the best qualities of the individual are developed not by leaving him alone but by bringing him into close contact with his fellows so that his social instincts may have opportunity for development. It is only by this process that the individual can be humanized. In no other way can the love of one's kind, the tender sympathy that distinguishes man from the brute, be brought into play and become the means of unfolding the capabilities of the individual and conferring happiness upon those with whom he may come in contact.

Life a call to duty.

Besides, life is more than a struggle to preserve rights. It is a call to duty and it is quite as essential to the growth and happiness of man that he strive for others as that he shall do so for himself. He who would save himself must often do so by sacrificing himself for others. Man is a social being inextricably bound up in the social bond along with his fellow beings and therefore his best opportunities are to be found, not in contravention of the law of association, but in active obedience to it.

Whether considered from the sociological or the economic point of view, the individual's best interest will be promoted by effective coöperation. The effectiveness of collective effort depends upon leaving the individuals en-

Freedom of action.

gaged the greatest possible freedom of action so that both their physical and mental powers may be applied. Principles should be explained and methods illustrated, but the individual operator should still be left the choice of method so that he might employ his powers of initiative to accomplish the task in the best way. He may, and doubtless will, make mistakes but from them he will get an experience that will prove valuable. Less than this does not make men but machines. The director may decree that the machine is to be turned but whether it be done by the right hand, the left hand or the foot should be left to the operator.

Individuality demands that the choice of methods shall be left free so that personal initiative may have full play and count for what it can make itself worth. The avenues of effort must be kept open so that aptitude may find its place. This freedom of individual choice does not necessarily imply that one shall be left unaided, blindly to grope in search of the calling for which his natural capacity best fits him. On the contrary, effective coöperation makes necessary the provision of means to aid in every possible way the ascertainment of the individual's capacity and aptitude so that he may know just what he is best adapted to do, and where the expenditure of his energies will likely yield the best results.

Individuality and coöperation not antagonistic.

Individuality, if rightly interpreted, can never be in conflict with the law of individual being. The highest development of individuality can only be attained by conformity to the law of effective labor, requiring as it does, the most thorough organization and the elimination of all that is unnecessary. Whatever of par-

adox there may appear to exist in this proposition is due to incorrect analysis and failure to understand the process of coöperative effort.

Does collective effort abridge opportunity?

It is claimed that monopoly abridges the opportunity of the individual, depriving him of the stimulus of hope. If sound, the charge lies against all forms of collective effort. If there exists any difference in this respect between monopoly and less highly developed forms of coöperation it is one of degree only. The fact that collective effort may render unnecessary the performance of certain things, and it is admitted, by no means proves that the avenues leading to individual success have been closed or even narrowed. The multiplication of wants superinduced by more efficient production, as was the case when power machinery was introduced, creates more jobs than the elimination of the unnecessary destroys.

Coöperation gives opportunity to demonstrate prowess.

He who works in collaboration with many has greater opportunity to demonstrate his prowess and is able to get much more reward for his effort than would be possible if he worked alone. It is not denied that ignorance and abuse are often present in collective undertakings and that they cause injustice and hardship for individuals, but they do not inhere in the principle of combined effort. They are faults, not of the thing itself, but result from mismanagement and are evils and imperfections to be eliminated as the evolution proceeds on its way to a realization of its proper development. That this is being accomplished is obvious even to the casual observer. Comparison of the condition of the less powerful but more numerous class of common workers now with that which obtained during any former period furnishes

indisputable proof that better treatment and wider opportunity are now accorded them than ever before.

Human desire to excel. Implanted in every individual in varying degree is the desire to rise in importance and in the appreciation of his fellows. Without this quality there could be no progress. Whether it manifests itself in the little boy who strives to win the game, to outdistance his playmates in the race or to learn his lessons better than they, or in the little girl who strives either to charm or be more proficient in her studies, or in men or women of more maturity who do their best to excel, it is the assertion of the ego. This is the divine urge given man to induce self-development and efficient performance. It would indeed be destructive of hope of coöperative success if organization should destroy or even seriously impair this indispensable prerequisite to individual achievement.

Increasing appreciation of the value of individual worth. More and more keenly are the directors of coöperation recognizing that the success of enterprise depends largely upon giving this individual incentive, direction and help. Jealousy, that bane of small minds, and personal favoritism in many cases no doubt interfere in the apportionment of recognition and reward, but the reactions from such practices are gradually proving their unwisdom.

It is becoming increasingly clear to the intelligently selfish that the more correct policy of making merit the deciding factor in the matters of promotion and better pay is the true way to get the best results. Waiving the moral question and placing the matter upon the plane of cold and calculating selfishness, the directing forces of

collective effort cannot afford to do otherwise than to promote the individual good of those who serve them because it pays to do so.

Sycophancy on the decline.

It may have been generally true in the past, and it may still be true in some cases, that the servile diplomat, hiding contempt under a smile of approbation, climbed over the heads of his fellows regardless of their superior characters and meritorious achievements, but time is bringing corrections and the tendency is ever becoming more pronounced in favor of the recognition of merit and fitness.

Greater complexity raises the moral standard.

Greater coöperation, dependent as it must be upon higher efficiency for its right to live, necessarily compels a higher moral standard. If, when transportation was conducted by the muleteer, the drunken driver drove his team over a precipice, destroying both himself, his team and his load, it was not a matter of much importance, but when the drunken engineer hauling a heavy train ditches it, it is a much more serious affair. In the latter case the greater loss of life and destruction of property that result from moral laxity compel the managers of transportation to demand a stricter observation of morality. The morals of neither the management nor the workers may be any better, but the exercise of morality becomes imperative.

Even selfishness serves.

Reverting to the controlling principle of selfishness, it will be seen that it goads men to higher standards because the evil that the indulgence of immorality superinduces costs too much to be tolerated. Can it be successfully maintained that this economic pressure that compels men to do right is productive of

destructive tendencies that weaken individuality and curb initiative? On the contrary, does it not spur man on to do his best, to conserve his energies and to develop along the line of his particular aptitudes?

Individual responsibility increased.

It is patent to all that, as effectiveness becomes more imperative, individual responsibility increases. When one, in a chain of specialists fails to do the part assigned to him, it interrupts the whole process, therefore it is quite essential that he shall keep himself fit so that there may be maintained the continuity of operation upon which efficient production depends. Failing in this essential, the individual finds himself displaced. In a lower state of organization the individual may be more lax in his methods. The improvident farmer may sit around the village blacksmith shop, frittering away his time discussing the local happenings, but the conductor on the fast train has too much dependent upon his prompt and careful attention to indulge in diversion.

Where is there greater need and opportunity for the development and use of intellectual power by all classes of men from the leader down to the lowest grade helper than is to be found in large operations? Where else can the wisdom that comes from experience be made so abundantly productive? Where else can such expertness be acquired, and when gotten, used so effectively? Organization is merely an instrument that binds men together, but it is only framework and inanimate. The things that make it function are thought and applied energy, both furnished by individuals. The thinking, planning, and executing find their origin in the brain of man. It is plain, therefore, that those who expect to be the beneficiaries of effective collective effort can no more afford to cramp the

The individual's importance.

minds of men than the engineer can afford to put out the fire that makes his power. The interest of all will be best subserved by the highest possible development of thought, the widest dissemination of knowledge and the strictest observation of an elevated moral code.

America leads in mass production.

The fact that America has reached a higher degree of efficiency than other countries in mass production is in no small measure due to the wider recognition and more general application of these doctrines to industry. Viewing human organization as an autocracy or even at best an oligarchy, the central authority sends out the power to all the constituent elements of the organization. The success of the operation depends upon the proper functioning of this directing head. That which comes to the less important, subordinate elements is reflected power and judgment.

Autocracy and democracy contrasted.

To change the figure, they are but sponges that imbibe the fluid that flows out from the source and comes into contact with them. Under the more liberal democratic theory postulated upon the doctrine of mutual help for mutual service each member of the coöperation is equally free to think, to advise and to employ his power of initiative in order that the operation may be made as efficient as possible.

Napoleon recognized individual prowess.

It has been said of Napoleon that he was at all times open to receive suggestions even from the humblest soldier in his army and to give to worth the recognition due it. The efficiency and loyalty of his men, scarcely equalled and never excelled in any army before or since his time, were no doubt due in great measure to Napoleon's wise use of

psychology. He did not drive but led his forces. He bound them to him as with hooks of steel by the simple process of making them conscious that he thought them men, not mere fighting machines.

Equality of opportunity the safe foundation.

How much better it will be for all when the directing forces of the world come to recognize the eternal truth that equality of opportunity is the only safe foundation upon which to base the hope of genuine progress. The lofty air and self-complacent aloofness to which men of little minds vested with power seem especially susceptible are unfailing signs of inferiority. Such men by their foolish attitude build a wall around themselves that shuts out the world from them. The more intelligent realize the need for the widest vision and appreciate the inestimable benefits that come from generous contact with life. These capable leaders will see to it that all the avenues of information are kept open to them so that judgment may be predicated upon a full knowledge of facts. They will insist, too, that those under them shall have light and knowledge, realizing that the broader and deeper the minds of those who coöperate with them the greater will be the capacity to produce satisfactory results. Holding up to their men the possibility of reaching the highest point that their capacity will permit, they will excite an emulation and loyalty that will bind their followers in a common bond to do their best.

Under liberal guidance the individual worker will enjoy freedom of initiative to apply his own methods and will be rated according to actual results. He will receive the recognition and remuneration that his effort deserves and his just meed of praise will not be denied him because perforce it might encourage him to hope for a higher wage.

More just distribution by intelligent leaders.

This intelligent leadership will be first to return to the worker his fair share of the increase resulting from higher individual efficiency. It will not be influenced by the fear that workers will learn too much and become dangerous in the employ of someone else, but it will strive to bring out the best that is in them and then make it to their interest to continue with it. By precept and example it will seek to teach correct economics so that all may know the benefits that follow increased effectiveness. Not suppression but development will be the slogan.

Amity to displace enmity.

When this better grasp of effects has been realized, class dissensions and hatreds will give way to amity and mutual regard, not necessarily because men have become more altruistic, but because they will have become more intelligently selfish. Antagonism, hate, distrust, and revenge are elements of war, and everything connected with war is destructive. Man yet will come to learn that destruction is at his expense and not for his profit, and when once this truth has been thoroughly impressed, he, from sheer selfishness, if no higher motive, will refuse to permit it.

Over specialization.

Collective effort is fairly open to the criticism that in the struggle for higher efficiency in production it develops a strong tendency to overspecialization. If this process, highly necessary within certain limits, is carried too far it restricts unduly the individual's opportunity to get that wider experience which is indispensable to correct judgment. It goes without saying that the individual who specializes can acquire a degree of proficiency that he could not possibly attain in doing diverse things, but it does not follow that each indi-

vidual should be a specialist or even that an individual should remain the same kind of a specialist during life.

Wide experience necessary.

Coöperation, if it is to be highly efficient, needs men having general knowledge and experience as well as those who excel in a narrower sphere. Its managerial staff must be generally qualified while its department workers should be specialists in the things which they are to do. No rigid line or insurmountable barrier should be permitted to separate these two classes. The way should be kept open by which the members of each class may pass from one side to the other as the particular individuals demonstrated the aptitude and fitness that might make the change advisable. To express it differently: the management should be such as to inspire in each worker the belief that his position in the operation depends entirely upon his own fitness and merit and that every place is open to him when fair chance and his own qualifications entitle him to it.

Freedom of choice of task.

To produce this effect upon the minds of the workers it would be necesary to make it fairly easy for the worker to select the class of work he prefers so as to give him all the latitude that might be practicable in his effort to discover his aptitude. This policy would not only serve to develop the specialist, but it would likewise permit those who want a more general grasp of the intricacies of the operation with the view of qualifying themselves for managerial duty to go through an apprenticeship in all departments that would qualify them for entering the broader fields.

Self-perpetuating system.

A system operated in accord with these principles would likely be self-perpetuating, whereas under a less liberal plan the death or disability of a few of the more important managers would put the entire operation upon the rocks. Manifestly, then, collective effort of itself does not militate against the development of the individual but, on the contrary, furnishes him opportunities for service to himself and society that would not otherwise be open to him at all. Whatever deprivation the individual may suffer in collective as contrasted with individual effort comes from maladjustment and abuse of the collective principle and not because the laws of coöperative effort make it necessary. The remedy lies in the development of intelligence so that the necessary adjustments and corrections may be made—not in the destruction or even the limitation of proper coöperative effort.

CHAPTER X.

MONOPOLY.

Special privilege a grant from the sovereign.

Every social act must be in accord with the will of the sovereign, which in a free society is the people themselves. The performance of any social act by a part of the people, either by the sufferance or the direct permission of the sovereign involves a privilege. The sovereign may grant, regulate, or withhold any such privilege unless it has limited its own power by constitutional provision and in such cases it can remove these limitations by whatever process it may have prescribed for repossessing itself of unlimited power.

Sovereign rights limited by moral law.

It will be noted here that the power to grant privilege rests upon the premise that the grantor has the unlimited right to do itself the thing which the privilege permits the grantee to do. In other words, society is self-sufficient and has the right and power to undertake the performance of any function which it may decide to be essential to its own comfort and well being. Society, aside from its self-imposed limitations of power, which may be removed at will as already explained, has power to do any social act, or perform any service that is not in contravention of moral law.

The exercise of the power of the sovereign by others, either by sufferance or direct grant, in no wise limits its right and power to reassume such functions at any time that public exigency may make it desirable to do so. Neither the direct act of the sovereign nor its permission to others to perform social service raises any question of

legitimacy of function since the primary power and right are vested in the State and the method of exercise is merely a matter of public policy. When, as is sometimes the case, the legislative branch of government misuses the taxing power to destroy an undesirable social service, it is only doing by indirection and subterfuge that which it has full power to do by an act of direct prohibition.

All social acts public service.

The assumption that there is any distinction between services, classifying some as private business and others as public service is utterly without foundation. Any such division is necessarily arbitrary. The bootblack who shines the shoes of the traveler is as truly engaged in public service as the trunkline railway that takes him to his destination. They both, under private initiative, are exercising social functions under a permission which the sovereign may recall when it chooses to do so either for the purpose of conferring it upon others or assuming the functions itself. Society through its organization, the government, whenever it chooses, may assume the duty, doing whatever it may wish done, and may deny, if it so wills, to any other agency the privilege of engaging in such service.

Monopoly of force or selection.

Monopoly, with respect to its origin and life-principle, may be classified as monopoly of force and monopoly of selection. Government, owing its origin to the majority consent of the governed, belongs to the latter class while arbitrary government of whatever kind belongs to the former. So long as government represents the will of the people and the means for its expression exists, all monopolies within the boundaries of the country are those of selection, and they possess their privileges either because the public wishes them to do so or it is too indifferent to exercise its power

to get rid of them. Monopolies of selection, so far as the public regarded as a social unit is concerned, often become monopolies of force in their relations to the individual citizen. The possession of a patent, the ownership of natural resources, the command of the requisite capital and the economic superiority of concentrated control and single unit operation, as well as many other circumstances, give monopoly the power to impose its will upon those who are dependent upon it for service. Especially is this true of private monopoly.

Ideal monopoly. Monopoly of selection is of course the ideal, existing by the will of the public and endearing itself to all because it is an agency of human service. Its motive is to reach the highest possible degree of efficiency and to distribute its benefits at the lowest possible cost. Monopoly as respects its ownership is divided into two classes, public and private.

Social service under private initiative a privilege. As already explained, all social service under private initiative rests upon privilege which the sovereign grants or permits because of its unwillingness, inability or failure to provide the organization necessary to afford adequate social service. The sovereign, however, reserves or should reserve the power to restrict, restrain, or prohibit all privilege and to establish its own agencies of public service whenever the welfare of society may demand it. So long as this power is retained by the public whatever of evil may arise is remediable, but once it is lost, the social body becomes an incompetent, subject to all the oppression that its masters may impose upon it.

The triumph of privilege necessarily means the destruction of free government and all that it connotes.

Laissez faire involves force and selection.

Under the *laissez-faire* method the process of eliminating the multiplicity of small units of service and substituting for them the larger units involves the use of both force and selection. These entirely diverse methods coöperate to accelerate the speed of the evolution of social progress on its way to its ultimate goal—monopoly.

The effect of public regulation.

Any restraint, regulation, or control of privilege by the sovereign is in an economic sense an arbitrary interference with the natural method of its elimination. In other words, the effect of such interference is to lengthen the life of privilege by retarding its growth. This policy, if adhered to, tends to crystallize the existing state of social growth and is analogous to the practice among some backward peoples of binding parts of the human body to prevent normal development. It seeks to preserve the subnormal, to keep society under an economic handicap, not because this is good for it, but because progressive development would stop the tribute that insufficiency compels it to pay.

Society usually against progress.

If society devoted a tithe of the time and talent to making provision for serving itself that it does to promoting and making permanent unsound economic policies under which it must necessarily lose, progress would be much more rapid. These interruptions deferring as they do, if successful, the better possible adjustments of the social machine, may appear of great importance to those who value a few years or centuries, but considered as mere

ripples in the stream of infinite evolution they are inconsequential, for no sooner do they begin to take effect than a counter influence is developed to overcome them.

Greed defeats itself.

The beneficiaries of privilege, prompted by inordinate greed, can very safely be relied upon to offset by their own injudicious acts all the benefits which may have been unwittingly bestowed upon them by an uninformed public.

Special privilege short-sighted.

Special privilege, even under the pressure of immediate self-interest, is not likely to look far ahead. Make hay while the sun shines, is its motto and its effort is unremitting to make as much as it can in the shortest possible time. Under these conditions it avails itself of every opportunity to strengthen its position, increase the size of its organization and displace its competitors. Blindly it may be, but faithfully it fulfills its destiny.

Captains of industry promoters of Socialism and Communism.

In this sense, it may be truthfully said that of all who have advocated the highest development of the coöperative principle—Communism and Socialism, if one pleases to use these terms—the so-called captains of industry have done most to hasten the coming of the time when practical application of the full coöperative principle will become possible. Whatever may have been their motives, and there is little doubt that they were mixed, they are justly entitled to the distinction of having been pathfinders who not only are making it possible for society to find its way out of the economic morass but are creating conditions that will compel it to go forward to the goal.

The progress toward monopoly is of course not uniform. Certain lines of activity naturally fall in the mo-

The germ of monopoly in all business.

nopoly class. Some of these have already been pointed out. Others, through an economic process of elimination of the unnecessary gradually approach the monopolistic state, but all methods of social service have in them the germ of monopoly and their degree of approach depends upon the extent of their development.

The public's choice of form.

When monopoly exists, the public is confronted with the very practical question of choice between its two forms, private monopoly based on privilege, or public monopoly whose right to exist rests upon its power to serve. The decision between these two forms should rest upon very broad grounds. All elements should be considered and that form chosen which may prove the superior from society's point of view. These two forms of monopoly have certain things in common. Each requires an aggregation of capital and a centralized control. Each must render service to the public.

Public and private monopoly contrasted.

Private monopoly gathers its capital by promising the investor a profit on the investment. Public monopoly gets its capital through the government's power to tax. If bonds are issued, private monopoly offers its capital as margin, and public monopoly pledges the faith of the government, which in turn rests upon the power to tax. The safety of the former investment depends upon the honesty and the efficiency of the management, while that of the latter depends upon the honor and stability of the government. If the private enterprise fails, the stockholders, unsecured creditors, and bondholders lose in the order named. If the public enterprise fails, the creditors are all paid and the loss is distributed through taxation.

Public monopoly's broader base for capitalization.

Public enterprise, getting its capital by taxation, since it is only requiring society to put up the capital for its own service makes no pledge of return of either principal or dividend. If the capital is to be borrowed, the government offering greater security can float its bonds at a lower rate than any private organization. With reference to their respective powers to aggregate capital, private and public monopoly may be regarded as limited and unlimited partnerships. The former can only call upon its limited number of stockholders to contribute the specific amounts to which they may have committed themselves, while the latter, embracing all the people, may call upon each of them to furnish all that he possesses. Private monopoly, not having the power to compel original contributions, must rely upon its appeal to cupidity to effect this purpose.

Public superior to private monopoly.

Public monopoly in the size of the unit, the concentration of control and the ability to command support is superior to private monopoly. Its processes of integration are more efficient and less costly than those of private monopoly. It is obvious that public monopoly with the ability to gather its capital in larger amounts, with greater ease at less cost and under no necessity to earn a profit can operate with a lower fixed charge than private monopoly.

The principles of public and private monopoly different.

These forms of monopoly conform to entirely diverse principles. Private monopoly must of necessity make profit its controlling motive as its existence depends upon it. Service is secondary. Its ruling motive being gain it must give out as little as possible for that

which it takes in. In other words, it must put on all the business will bear. Public monopoly, on the other hand, aside from its power to serve, has no reason for its existence. Private monopoly must serve but its ability to do so is limited. It must conserve its resources to the extent necessary to preserve its life and insure its growth. It cannot do this unless it charges a profit on the cost of its services in order to pay the higher wage of capital, to compensate shareholders for risks and in addition satisfy their cupidity to the extent necessary to induce them to continue the enterprise. Under these conditions it is only the benefits of the enterprise in excess of these requirements that are available for distribution to the public.

Private monopoly must first serve itself.

Under private monopoly, special privilege must first receive its reward, leaving the public to take what remains if there should be a remainder. It will not be seriously contended that private monopoly, combining only a small percentage of the people, having to pay higher for its capital, appealing as it must to the cupidity of the individual, can possibly equal public monopoly in the matter of strength, since it embraces all the people; or in economic efficiency of cost of organization and aggregation, as the latter is under no compulsion to earn profits to pay dividends on cash capital, and even if bonded capital is employed it gets it at a lower rate.

Private monopoly must exploit.

Private monopoly must also earn in addition to the amount necessary to pay dividends an amount sufficient to provide for the growth and extension of the business. Public monopoly, on the other hand, is under no such obligation. Having access to and command of the entire resources of

the state or nation it can compel all to furnish their surplus capital to the extent that efficient public service may require its use.

A contest between systems.

The selection, as the evolutionary process of elimination of the less efficient units of social service was taking place, was between the less and the more desirable agencies of the same kind. They conformed to the same principles, which were of different degrees of development. The contest between private and public monopoly is different. It represents a competition between systems that are unlike. The one functions on the profit principle, or is capitalism carried to its logical ultimate, the other represents the highest economic development of the service system, under which production takes place at the public's risk and distribution is made at cost. This contest, then, is the final test between these systems to prove which is the superior instrument of social service and to establish incontestibly its right to displace the inferior. Either system possessing two things would seem to be fairly entitled to be selected as the superior; economic superiority in providing the organization and machinery for production, and the ability to make the most general and equitable distribution of benefits.

Private monopoly lacks moral foundation.

When it is considered that the aggregation of the necessary capital to conduct private monopoly must be accomplished either by taking as profit that which belongs to others without giving an equivalent value in return therefor, or by appealing to the cupidity of investors by holding out to them hopes of becoming beneficiaries of such unmoral,

not to say immoral, exploitation, it becomes apparent that private monopoly stands condemned on moral grounds.

Private monopoly by nature an exploiter.

Practically all the shortcomings and evils of private monopoly are directly due to this lack of moral foundation. It cannot, if it would, be just. In its very nature it is an exploiter and its life and growth depend upon the successful continuation of the practice. This necessity forces it to make false statements minimizing its worth when the tax assessor appears and to make equally false claims of having value that it does not possess when rates are to be made. It also accounts for that peculiar, but not rare, phenomenon in psychology, illustrated in the state of mind into which public commissions sometimes fall, enabling them to accept as true both of these palpable misrepresentations.

Private monopoly gravitates toward corruption.

Private monopoly, an illegitimate, begotten and born in unmorality, gravitates naturally toward corruption. It is quite probable that its employment of the crude method of bribery is exceptional. Its methods are more refined as well as more effective. The possession of wealth gives it power which it unceasingly exercises to mislead public opinion, both by misrepresentation of facts and their suppression. By every method that ingenuity can devise it seeks to exercise its powerful influence upon all branches of government to make it serve special privilege by enabling it to increase the exactions it makes on the public. It follows its immediate pecuniary interest as persistently as the needle of the compass does the magnetic pole. Its direct interest is in promoting bad government in so far as that serves the purpose of increasing the tribute that it imposes upon the public.

Its effect on government.

It is the constant promoter of that which a government conducted in the interest of the whole people should consistently oppose. Its genesis being evil, like a cancer it continues to extend its roots through the body politic until it finally destroys the last vestige of society's power to function as a free and self-sufficient organization.

Private monopoly has power of taxation without representation.

Private monopoly, through the profit principle carrying with it, as it eventually will do, the control of regulatory effort, possesses the power of taxation without representation, a power which no free government itself can exercise. Not only does it have this power but it is under every incentive that human selfishness can offer to exercise it tyrannically. No degree of efficiency that it might possibly develop in the financial and industrial fields could possibly compensate for that destruction of free society that must necessarily result from its existence. Under it an autocracy or at best an oligarchy of wealth would exist, but anything approaching a democracy—never.

Private monopoly seeks to conquer the world.

Private monopoly has no flag, no country. It has neither loyalty nor allegiance. Its constant effort through an ever increasing concentration of control of the instruments of production and distribution is to widen its sphere of influence so that the people of every land may be brought under its yoke and compelled to pay tribute to it.

Examples of monopolistic ingratitude.

The American railway systems, constantly appealing to the people for more, are under deep obligations to the country for favors deserved and undeserved. If there is any institution

that should be desirous of protecting the national interest it is they. It is generally conceded that the need for an American merchant marine owned by the United States government is imperative—the welfare of the country demands it—yet the fact is that these systems of transportation have bound themselves under contract to discriminate against the merchant marine owned by the United States government and in favor of foreign lines.

Special privilege's desire supreme.

In a practical way special privilege recognizes no social claim as superior to its own desire to perpetuate its strangle hold on the whole world. Whether it be ruthlessly coercing a sovereign state to change its economic policies, as in the case of North Dakota, or throwing an international "cordon sanitaire" around a great nation to prevent the adoption of a different economic system and to compel the recognition and protection of its own, as in the case of Russia, or promoting disorder, as in the case of Mexico, it is simply following the law of its own development.

Ignorance and neglect at fault.

No one in particular is to be blamed. It is only the social cancer called into being by social incompetence, ignorance and neglect, devouring the healthy tissue of the body politic and hastening the day when free government and civilization must make the final choice between displacing private monopoly by a more ethical economic system, or perish themselves. They and it cannot both survive.

The inherent weakness of private monopoly.

Private monopoly in respect to its power to distribute the benefits arising from concentration of control and coöperative production labors under serious handicaps. It must keep its earnings to the extent necessary to provide

for its growth. It must necessarily vest the ownership of its capital in the hands of relatively a small percentage of the population, thereby creating an aristocracy of wealth. It cannot reduce the price of its products to a cost basis, hence must continue to exploit the public.

Both rich and poor richer but greater disparity than before.

It is admitted that the economic development under the profit principle has distributed great benefits. It is true that the rich are richer than they ever were before, but it is equally true that the poor are richer than they ever were before also, but it is likewise true that these classes, in the matter of wealth, are wider apart now than at any former period of history. It is fair, too, to say that the most of the increase in wealth is due to invention and the improvement in the machinery of production and distribution made possible by the greater aggregation of surplus capital. The fact that this increase of the sum of wealth has occurred under the profit system does not prove that the credit for the achievement of the result is due to this system, nor does it disprove the possibility of even better results under a more equitable system of aggregation having power to distribute benefits more generally as well as more equitably.

Public monopoly's economic advantages.

Public monopoly is the highest form of coöperation. Its ownership is general. There is no preferred or privileged class. Each member of society must contribute his part of the capital required, or if the capital is borrowed the interest charge is the lowest. The size of the unit is the largest that economic efficiency will permit, and so far as organization and equipment are concerned, the cost of the service should be at the minimum rate. The man-

agement is under no compulsion to charge for the risk, since if in the effort to distribute at cost through unfavorable circumstance or mistaken judgment a loss should result the monopoly can easily recoup itself by the very simple process of increasing the price for the service.

If additional capital should be required from time to time to provide enlarged facilities to accommodate the growth of business, it can be acquired either by charging more than cost for the service or by means of taxation. In either case the people would be furnishing the means to conduct their own enterprise and their interest and title would remain the same. They, as partners in this social undertaking, would only have devoted so much of their capital to a coöperative enterprise, the benefits of which would be enjoyed by all. No part of the contributed capital would become the property of another individual or class, and therefore the operation would furnish no opportunity to any member or class of society to get rich at the expense of someone else.

Private accumulation under public monopoly.

The accumulation of wealth by individuals would still take place, but each of necessity would be compelled to limit his accumulations to that which he saved out of his own earnings as none would have the opportunity to appropriate those of someone else. It is highly probable that the total sum of national wealth would be greatly increased but the actual ownership would be vested in the many instead of the few. Millionaires and multi-millionaires under the service system would become as extinct as the dodo. There would be no legitimate way by which very large individual fortunes could be amassed and the possession of them, instead of being an honorable distinction as at present, would be prima facie evidence of the holder's fitness for the penitentiary.

No social necessity for large fortunes.

After the service system began to function, there would be no social necessity for swollen fortunes in private hands, and their existence could no longer be justified upon the only ground that makes them tolerable at present, viz.—held in trust for the social ward that so far has not developed sufficient capacity to take care of itself. If society should feel offended at the characterization, it would do well to appreciate that the reflection, if there is any, inheres in the fact rather than in the statement of it.

Public monopoly the highest economic development.

Public monopoly with the combined resources of the nation to support it is the strongest economic organization that can be gotten together. Nothing that the human mind has so far conceived is comparable to it in this respect. Ocular proof of this fact is given whenever a nation has to face a great danger such as a war with some other powerful nation. It is unthinkable that the nation would under such circumstances employ less efficient instruments, and the fact that it flies to adopt the principles of public monopoly at such times proves incontestibly that its guiding spirits are thoroughly convinced that the doctrine here set forth is sound beyond question. If they are not so convinced and extend the functions of government, believing that the policy makes for inefficiency, they are guilty of giving aid and comfort to the enemy and under the laws of the country should be shot for treason.

The pressure removed, society reverts to special privilege.

It is perhaps nearer the truth to say that when the entire nation is threatened with common devastation, all classes for the nonce forego whatever of special privilege that the necessities of the situation may require and coöperate to that extent for the general good,

but as soon as the danger passes, the more intelligent individuals, who are usually directly or indirectly the beneficiaries of special privilege and who primarily initiate public policies, begin by specious reasoning, and misleading propaganda to tear down the public service organization that necessity drove them to adopt, and reinstall the instrumentalities that have served so well in the past to divorce the masses from their rightful earnings.

Assaults upon public administration.

The opponents of public function rarely attack the principle but concentrate their assault upon the inefficiency of public administration. They are usually especially insistent that it is wasteful, inefficient and even corrupt. These objections would indeed be exceedingly forceful if they were true, but are they true or are they merely bugbears to frighten and beguile the simple? If the allegations are true as regards public services of the socialistic class (or such as are performed coöperatively but paid for by the individuals receiving the service), why are they not equally true of the purely communistic services performed coöperatively and paid for by the state? The only difference between these services is in the source from which the compensation for the service is derived. As civilization advances, the communistic functions of government continually multiply and expand. The free schools, public health activities, asylums for the deaf, dumb, blind, epileptic, infirm, crippled, and poverty stricken, departments for research, the promotion of agriculture, manufacture, and commerce are rapidly assuming more and more importance, yet from no source does there arise serious objection. It is the exception to find that mismanagement, corruption, or fraud is charged against them, and if such a case arises it receives summary treatment and correction.

Communistic administration.

Improvement in service the rule.

Instead of these activities becoming a stench in the nostrils of the public, the constant tendency of their evolution is toward cleaner and more efficient administration. If the mere fact of government operation of enterprise must produce the horrible conditions predicted by them who oppose it, why do not these communistic operations carried on by the government show these defects and furnish the horrid examples that would arouse a decent citizenship to demand that all such undertakings should be taken out of the hands of the government and turned over to private corporations to be operated on the profit principle? The answer is simple. The public mind and conscience, quickened by the emotional nature that finds its expression in communism, have reached a degree of development that will not permit private greed to exploit institutions intended to serve the dependent elements of society. The profit principle is not allowed to enter into these domains and in its exclusion, the abuses, corruption, and fraud so glibly predicted of government operation are also excluded.

It is, as has already been observed, surpassingly strange that the supposed deficiencies and dangers of government operation are only to be expected from those services which private parties can make vehicles for private profit. If half of the charges which the opponents of government operation bring against it are true, the quickest as well as the surest way to settle the matter for all time would be to demonstrate the truth of them by a fair trial of the operation. When this is proposed as to any specific service, these prophets of evil, trembling for the public safety, shift their position and

The opponents of government operation inconsistent.

inquire if this particular thing is done, where will it stop? The more intelligent and therefore the leading class of objectors to the extension of government function, it is to be feared, is composed of lineal descendants of the coppersmith family, who lauded Diana of the Ephesians not so much because of their devotion to the goddess, as for the more practical reason that her worship had a stimulating and sustaining effect upon the shrine market.

Progress by empiricism.

The progress of civilization has largely resulted from empirical effort. Man learns more rapidly and more thoroughly in the school of experience than anywhere else, and it does seem that those who are so deeply convinced that the highest possible development of the coöperative principle, which necessarily expresses itself in government operation, is fraught with so much evil, could not do a better service than to assist in bringing the matter to a practical demonstration and proving their contention to the satisfaction of all. Their unalterable and implacable opposition to such a course raises a question of good faith, and suggests that their opposition may be prompted by a fear that the experiment would succeed rather than by a desire to shield society from the evils that they claim to believe would result from its trial and failure.

Oppose public monopoly because of fear it might succeed.

Happily, the case for the full evolution is not so desperate as to be compelled to rely upon theory alone to sustain it. Owing to the slow rate at which economic evolution has proceeded in past ages, due in large measure to lack of means for rapid transportation of persons and products and quick transmission of intelligence, highly organized industry and commerce were impos-

The evolution forced forward by invention.

sible, but with the advent of invention the evolution was speeded up, and the rate of progress within the last half century has been accelerated more than in all the centuries of the past.

Coöperative development has met less opposition in communistic lines than in other things, hence has passed more rapidly through the stage of private initiative into that of public operation, but in all services from which capitalism could exact tribute, the most strenuous and determined effort has unremittingly been made to throw obstructions across the channels of evolutionary progress, with the result that the introduction of public ownership and operation has been greatly retarded. The effect has been to dam up the stream, so to speak, and amass a great force that must at sometime overcome the resistance and sweep on to its ultimate objective but the faster for having been unduly delayed.

The effect of opposition.

Forces of reaction unable to stop evolution.

The forces of reaction, exert themselves as they could, have not been able to hold everything back. Here and there this or that utility has managed to find its way into the forbidden field of public enterprise. The results have not been so frightful as to deter others from undertaking similar adventures nor to stop the tide of public opinion in its steady but resistless march onward. It is no doubt true that some of these experiments for various reasons have not been satisfactory, but it is perhaps doubly true that a far smaller percentage of the total number of the public undertakings launched have failed than of those undertaken by private parties. A very large percentage of all the railroads and large public utility companies of

the country at some time in their history have broken down, passed through the hands of receivers and reorganized.

The death rate of public ventures less than that of private.

If the death rate of public ventures was one tenth as high as that of private enterprises, the figures would be paraded as indisputable evidence that government ownership and operation were hopeless failures, and that no body of people outside of insane asylums would seriously contemplate adopting a system so thoroughly discredited by actual test.

Steady growth of sentiment for public ownership.

Notwithstanding the strenuous efforts of the beneficiaries of the profit system to prevent the growth of public opinion favorable to public ownership, it is slowly but surely becoming more widespread, and here and there has translated itself into action. These public undertakings may be regarded as the advance agents of the many that are to follow as general intelligence increases and the civic conscience is quickened by the increasing pressure of economic necessity. The cities have made greater progress than the states or nations in taking over their public utilities. Water, light, heat, gas, street cars, and perhaps other utilities, have been acquired and operated by cities and the practice is growing. Nowhere are there noticeable signs of recession.

State opportunity restricted.

The field for action by the individual states is somewhat restricted in that the most of the units with which they would be expected to deal have become national and even international in their scope. Only the national government could command sufficient resources and power to operate efficiently

the giant combines and monopolies that not only reach every corner of this country but are rapidly extending their spheres of operation to all parts of the earth.

General government's policy favors private monopoly.

It cannot be said that the general government has made much progress in this particular field. It has greatly extended the scope of its activities but has confined them largely to the effort of assisting the development of private monopoly rather than building up an organization of its own to give better public service. It has gone to unreasonble lengths to foster railroads in private hands, and it has abdicated its constitutional place as the agency for furnishing a banking and currency system in favor of the so-called Federal Reserve and National Banks, which are not national in any true sense but only private institutions chartered by the Federal government on the assumption that they are assisting the government in the performance of a public function. They are not public service institutions but instruments by which special privilege lays and collects tribute from the public. Profit is their principal object and service to the public the incident.

Character of Federal Reserve and National Banks.

The great world war was fought ostensibly to make the world safe for democracy, and in some notable cases it is suspected that in order to make democracy doubly safe some of its most earnest exponents who had committed no overt acts were put in jail for the expression of honest opinion, and all of them more or less intimidated. While this altruistic war was being fought and since its close, special privilege has made greater strides than in any similar length of time since the eviction of our great grandparents from the bowers of Eden.

The need of a merchant marine.

Before the war the commercial flag of America was somewhat of a curiosity in the harbors of the world. America's interest in ocean traffic was confined to international traders and bankers of American citizenship who had become interested in foreign merchant marines. This country was almost entirely dependent upon foreign bottoms for the means of ocean transportation. The destructive work of the submarine drove the government to build merchant ships, and sums variously estimated from three to four billion dollars were spent for this purpose. The need for this merchant marine in time of peace, no less than in war, was urgent. Being an exporting country, every consideration of national welfare demanded that there should be a merchant marine that could carry its exports and bring its imports at the lowest possible costs, so as to enable the country to exchange its goods with other nations under the most favorable conditions, yet with all these facts and reasons open to them, both the legislative and executive branches of the government concurred in spending these enormous sums of the people's money to build a merchant marine with the avowed purpose of surrendering it as soon as the urgent necessity that caused them to build it had passed, to private interests which could not be other than international private monopolists! Was there ever before in all history so bounteous an offering placed upon the altar of the Moloch of organized greed? At what prices were these ships to be sold to private interests? Billions less than they cost. What were the shameful and shameless acts of the administration of the whole affair? A congressional committee lately unanimously refused to recommend an investigation, certainly not for the reason that there was no need

Betrayal of a public trust.

for it. The true history of the sordid and criminal transactions connected with the affair will not likely be published, but enough is known to cast a lasting reflection upon the vision and patriotism of those who were responsible for the public policy involved, and to pillory some who were guilty of rank betrayal of public trust. The building of this great government merchant fleet furnished the opportunity for organizing and operating a great international service, the benefits of which would have followed America's trade into every country. Future generations will look back upon this lost opportunity as marking the acme of evil accomplishment on the part of the spirit of capitalism, which beclouded the vision and unbalanced the judgment of those whose sacred duty it was to guard the public interest. In an evil hour the public guardians slept at their posts. Even now it is not too late to gather from the ruins enough to establish a national merchant marine that could be made one of the country's most valuable assets, but alas, there is none whose voice is sufficiently strong to arrest the attention of a nation that is obsessed with an insane desire to preserve at all hazards the opportunity to prey. Dominated by the spirit of capitalism it madly rushes on, hugging a delusion that time and circumstance in the appointed time will inevitably dissipate.

Capitalistic fatality and obsession.

Under pressure from agrarian interests the Federal government put the parcel post into operation. This was done against the solid protests of the commercial elements. These classes protested that such a method of distribution would be fatal to the orderly progress and success of so-called private business. The system has been purposely restricted to prevent its

Parcel post opposed.

The system purposely restricted.

growth, but even under this handicap the very people who protested most have come to realize that its effects are beneficial, and while it is only a mere skeleton of what it might have been, there is none who would now dare propose its abolition. This being true, one would suppose that public clamor would compel the extension of the service so that the highest possible efficiency and the most general benefit might be realized, but not so. The masses seem satisfied to let the system remain in a state of arrested development, illustrating the fact that the public will keep as much of a service system as time, chance, and economic necessity may ram down their throats, but are as yet lacking in the requisite initiative to extend the application of a principle even after its application has fully demonstrated its practicability and worth.

The zone system.

During the introductory stages of parcel post the zone system of charges was inaugurated, under which the rates in close zones were made sufficiently reasonable to permit traffic while in the more distant they were sufficiently high to drive the business to the express companies. The explanation oftenest heard at that time was that the policy was to restrict the volume of business coming to the parcel post system because the government had not yet had time to develop sufficient organization to take care of it. Although many winters have passed since that time, yet the same policy is adhered to. Is it still the purpose to force patronage to the express companies and if so, why? The parcel post system should make its rates to cover cost and provide whatever organization that might be necessary to take care of the business that came to it. Less than this is unjust to the public

Why not let it grow?

service principle and must have the effect of fostering special privilege at the public's expense.

Socialistic activities. Social activities falling in the socialistic class are those which employ coöperative method on the productive side and distribute benefits individualistically, i. e., return to the individual a just equivalent for that which he contributes. This is Socialism. All business under private initiative operated capitalistically conforms to the socialistic method, and in so far as its claims to pay a just wage and sell its wares and services at a fair price are justified by fact it is Socialism. It has already been shown, however, that it cannot make good its claims and live under Capitalism. The point is now that capitalistic business is private Socialism, which on account of its inherent defects must of necessity bestow the greater part of the benefits upon the few.

Private Socialism or public Socialism, which? The question is not whether there shall be Socialism or non-Socialism, but whether there shall be private Socialism for the benefit of the few or public Socialism for the benefit of the many. Private Socialism creates class divisions, putting the overlord on one side and his dependents on the other, the first receiving the lion's share and the latter taking what is left. Public Socialism demands that all shall be fellow-servants coöperating for the public good, and that each shall receive his fair share of the benefits based upon his own contribution. Socialism, then, is inescapable. It is already established and can only be displaced by the substitution of actual anarchy or thoroughgoing Communism in all social relations. However desirable these may be in their par-

Socialism already established.

ticular spheres, either of them is utterly unthinkable, not to say impossible, as a general social policy. Socialism, then, society must have in the sphere to which it is adapted, and the only thing open to discussion and choice is whether it shall be under private or public initiative—whether selfish greed shall dominate it, or it shall function in accord with the service principle.

As already indicated, the movement toward public initiative has been very slow. Especially is this true of the larger national and international units of production and distribution. While greater progress has been made in this direction in some other countries, in the United States the postoffice department is the only thing of this character that may be said to have developed normally under public initiative. This is possibly due to the fact that it was introduced in the formative period of the nation's history long before its capabilities for exploitation were even suspected, much less appreciated by capitalistically-minded profit mongers. Its early birth accounts for its length of life. It became a fixture, an institution too well known to be taken from the public without their knowledge. It was quite common, however, in the past, before so much of the inefficiency and integral rottenness of railroads and express companies had been exposed, to hear the opinion expressed that the postoffice in private hands would show great improvement over government operation. That the postal administration could be greatly improved is readily conceivable, but that it is in all respects ahead of any private operation of similar magnitude is not to be doubted.

Post office department.

Arguments against extension of government function.

When the extension of the functions of government is proposed, the objection is usually urged that maladministration and political corruption would superinduce inefficiency to a degree that would overbalance whatever of benefit that the superior principles involved might make possible. The past history and present state of the postoffice department furnish the best example of the practical application of the service principle, as well as the surest standard by which a correct judgment of the force and truth of the objections urged can be reached.

The post office public Socialism.

The postal system was inaugurated more than a century ago. It has been in continuous operation since it was started and it has had time and opportunity to develop its strong points and expose its weaknesses. It began when social coöperation was at a low ebb and has come up through a period of rapid socialization under private initiative, and therefore offers as nothing else that is nation-wide in its scope does, the example of what Socialism under public initiative will do if given a fair chance to evolve according to the principles that govern its development.

Jefferson's distrust of postal system.

Thomas Jefferson, writing to either Madison or Monroe prior to the beginning of the nineteenth century, said that he kept the letters by him for three weeks waiting to get some friend to bring them, because the post office officials had been opening his letters, publishing the contents in the newspapers. To-day, the highest and the lowest alike entrust their correspondence to this agency with never a doubt that it will be carried to its destination and safely delivered to those to whom it is sent.

Postal history its best witness.

The postal system had its inception in inefficiency, disorganization, and corruption, and has steadily grown in capacity for service, in degree of efficiency and in moral tone, and stands easily at the head of large agencies designed to do public service. Although it has constantly increased the number of its employees, the difficulties and disturbances incident to adjusting differences between employers and employees have not resulted. A general tie-up of its operation by labor unions or even a threat of it would no more be expected than any other unheard-of happening. It has never shown any signs of desiring to impose unreasonable rates upon the public it serves, but, on the contrary, has constantly extended its service and steadily reduced its charges. During the great war it advanced the rate of postage fifty per cent as against one hundred per cent to many hundreds per cent by private enterprise, but immediately after the war it reinstated the prewar price. Its history is an effort to give all the service possible, making the least charge consistent with the cost of it. It has not found it necessary to pay exorbitant returns to a preferred class and therefore has never made in all its history a single millionaire. If anyone should succeed in getting a million out of the post office business the chances are good that he would have time to regret it while serving his term in some Federal penitentiary.

Private and public Socialism contrasted.

Here may be noted the striking difference between Socialism under private initiative and Socialism under public initiative. The first, used in the interest of special privilege, demands that the few shall gather more than they have a right to, and the degree of their success is determined by the amount they have abstracted from the public, while under the latter service alone is the test of suc-

cess and any accumulation by the individual above what a just wage would make possible would arouse suspicion and invite searching enquiry as to the source from which it was derived. In other words, under private Socialism the managers of the postal system would be expected to take millions from the people and would be much respected if they succeeded in doing so, but under public Socialism if these same managers, doing the same public service, took the same amount from the same public they would be considered thieves and robbers and would be straightway sent to penal institutions, there to grow prematurely old in the effort to unravel the hitherto unexplained mystery why it is creditable to despoil the public by one method and damnable to do the same thing by a different method.

Public function not a cause of corruption.

The postal system is a department of government, and if political corruption must result from government ownership and operation, it could not possibly escape. With more than a century of history it should surely exhibit by this time enough of such evil effects to make of it a horrible example—a veritable stench in the nostrils of all good citizens.

Private Socialism a direct cause of corruption.

Every private interest of any magnitude and all class interests have their lobbyists on guard either to prevent unfavorable legislation or to promote that which they regard as favorable. If half that is told of them be true, their efforts are not always restricted to proper methods but they promote their purposes by bringing to bear the most powerful influences they can command. Not only do they undertake to influence legislation at the Capital, but they start at the source by influencing the public

through propaganda and by shaping the policies to be put forward in party platforms. Private Socialism is always up to its ears in politics because its life depends upon its ability to preserve the privilege of levying tribute.

Public Socialism does not develop political power.

Not so with public Socialism and its best example, the postal system, as it can function successfully without resorting to these devious and doubtful practices. It is therefore not difficult to understand why this system has never used its power to elect a United States senator, while it requires no stretch of the imagination to believe that private Socialism has left no stone unturned to fill every position from the United States Supreme Court, the Presidency and Congress down to the local magistracy with its friends whenever it was possible to do so. Even when no corruption is involved, and corruption is not here intimated, the point of view—the bias of mind—is vitally important.

The constant tendency of the postal system has been to get farther away from politics. A quarter of a century ago the fourth class postmaster was the leading political henchman in his vicinity of the party in power, but now none is so poor as to do him political reverence. No one cares what he may think or do in a political way.

Unaccountable public obtuseness.

The strange and unaccountable thing is that this great system functioning on the service principle, covering the entire country, going into every hamlet and bypath, rendering a highly acceptable and satisfactory service to all at most reasonable rates, has not educated the people to a better understanding of the principle and caused a more general demand for the extension of it to other services. It is no compliment to the intelligence and initiative of the average cit-

izen that it has not done so. It indicates at least that the power of the masses to make correct inductions from known effects, if it exists at all, is as yet in a low state of development.

The public's lack of initiative.

The failure of the general public, who would be the beneficiaries, to initiate movements to increase public functions is additional evidence that the capacity to originate and initiate is peculiarly reserved to the few. The masses are incapable of it and will perhaps always remain so. They are dependent upon leadership for suggestion and guidance. This being true, shall it not be concluded that democracy,

Is democracy possible?

a government of, by, and for the people is an impossibility? By no means. The people need leaders but these in turn need followers, and the greatest present need is for intelligent followers, whose chief and all-important tasks are to select leaders and to veto results when the latter may prove unsatisfactory. This power to negative the unsatisfactory results of leadership is by far the more important, and as long as the people retain this power there is hope of orderly democratic progress. Once it is lost, the masses become slaves.

The masses lack understanding of principles.

Admittedly the masses have not the understanding of principles, the well balanced judgment and inventive faculty to devise new methods. Once invade the field of abstractions and they are helpless and hopeless, but when the theorists have reduced their propositions to the concrete, put them into every-day practice, the

The masses good judges of effects.

masses are the most correct judges of effects, and as long as they find an effective way to register their will, once having tested the matter by experience, social safety is assured. De-

mocracy properly organized gives freedom of action both to the initiatory and veto powers—each equally necessary in its respective sphere. As long as they coöperate the ship of state is reasonably safe. Arbitrary government lacks the corrective, conserving influence of the public's veto power, and mob government lacks intelligent leadership, hence under neither form can permanent social progress be reasonably expected.

CHAPTER XI.

CURRENCY AND BANK CREDIT.

Barter dependent on transportation.

Naturally the first method of exchange was barter. The extent of this interchange of products was governed by the facilities for transportation. The practice of exchanging the bulkier products for those of less weight and more value, in order to use the latter as media of exchange, doubtless owed its origin to the effort to remove the necessity for transporting the heavier and more bulky articles, when they could be obtained nearer the point of need simply by exchanging the lighter and more precious articles for them.

Precious metals and stones refined barter.

The finer metals and precious stones were best adapted to this purpose, requiring of course some assurance of their actual contents and degree of fineness. In the course of this refined barter—and the use of material substance having in itself the value for which it is exchanged is of necessity barter—some acceptable authority, if requisite confidence is to be given, must become sponsor for the weight and fineness of these instruments of exchange by barter. Otherwise the faith necessary to the efficient conduct of the exchange operations would be lacking.

Government certification of weight and fineness.

The recognition of this need led to various methods of having the metals intended for use in exchange bear evidence of their own character and contents. By a process of elimination governments finally became the agencies for performing this very necessary service.

Gold coin barter. The American gold dollar is only a piece of gold and the stamp of the United States government simple certifies that it contains 23.22 grains of pure gold, is nine-tenths fine and weighs with the alloy 25.8 grains. The fact that the gold dollar is of a given weight and fineness and is presumed to equal the value of the American unit of value called the dollar, does not of itself change the character of the gold, which remains a commodity and an article of barter.

Payment in gold not different from payment in other products. It is obvious that payment in gold is not different from payment in wheat, corn, iron, or any other material substance. This use of the finer metals as media of exchange, or to express it differently, this bartering of heavier commodities for the lighter, not for possession and consumptive use of the latter themselves but merely for use as a means of economy in transportation, making possible the bartering of bulky and weighty commodities with greater ease and facility, has given rise to the mistaken opinion that they are money, or representatives of value in a system of exchange in which mere evidences of title of value pass current and which are convertible on demand into material or real value.

Gold no proper element in credit exchange. This use of gold does not entitle it to be considered as forming any element of a proper system of credit exchange, because barter involves no element of credit. It, in common parlance, is swapping one commodity for another and it in no wise changes the character of the transaction if gold should be one of the products exchanged.

It is of course understood that a coin whose metal contents are worth less than its exchange value but which

exchanges for a greater value merely because a government guarantees its redemption at its exchange value has a composite value, and its use involves barter, to the extent of the commodity value, and credit exchange value for the balance. The employment of the two different principles of exchange in a given case adds no value to the actual product further than that the practice may enlarge the use of the metal for such purpose.

Token money.

Circulatory value and commodity value.

If the silver in a silver dollar has a commodity value of fifty cents it would circulate at par with gold as long as the government guarantee of dollar value was accepted, but let revolution destroy faith in this guarantee and the silver dollar would at once fall to its commodity value.

Confidence and faith give value to credit exchange.

The value of credit exchange depends entirely upon faith and confidence. Belief in the ability and purpose of the emittors of credit exchange to have it redeemed *on demand* is an indispensable condition to the successful and efficient operation of any system of credit exchange.

Currency and bank credit.

Discarding for the sake of clarity all forms of barter, however refined, whether the materials are used as media of exchange or not, the currency and bank credit system will be considered as one which employs purely representative or intangible values to stand for material values, into which these representative values can be transformed at will by the holders. When this conversion takes place, it automatically liquidates and retires the credit instrument. Credit exchange after all is but the shadow of the product put into the

market, therefore there is a parity at all times between the values of the products in process of exchange and those of the outstanding credit instruments that represent them. It is for this reason that any arbitrary enhancement in the nominal values of credit instruments will produce a like increase in the prices of products and make necessary a readjustment, which after completion results only in counting in higher numbers. This is inflation and the reverse of the process is deflation.

Standard of value. In a system of credit exchange there must be a standard of value—a common denominator of values into which all credit values may be translated, thus establishing the ratio of the value measured to the unit of the standard of representative value. By means of this process all representative values and the ratios of products to each other may be established. In products, the standard is the unit into which concrete substances are divided such as pounds, feet, bushels, etc. The enumeration of the number of these units conveys only the idea of either weight, length, contents, etc. It gives no indication whatever of value.

Value an abstract idea. The idea of value is abstract. It has neither length, breadth, nor thickness. It is the measure of the intensity and extent of desire considered in its relation to the ability of the individual to satisfy want. The current value of anything, with apologies to Butler, is just so much as it will bring. In other words, current value is a purely relative expression of the ratios existing between the thing valued and other things having their ratios similarly expressed. To say that the horse is worth one hundred dollars and the cow is worth fifty, simply indicates if the exchange is to be fair, that two cows must be given for one horse.

Can only have a single standard.

The common understanding necessary to to the effective use of credits can only be obtained by a single standard of value. If two or more standards are used it necessitates the translation of them into a single standard before exchange can proceed. For example, if the Russian uses the rouble standard and the American uses the dollar, each must know the ratio of the two standards to each other before arriving at an agreement.

Standard must be invariable.

The standard of value must be as invariable as the contents of the bushel measure or the length of the yard stick. Less than this introduces confusion and necessarily results in the impairment of the obligations of contracts. To make obligations using a dear standard and discharge by a cheaper or vice versa, results in the robbery of either the creditor or debtor as the one or the other method is used.

Fluctuating standard robs either debtor or creditor.

Diverse standards immoral.

The denunciations of the old Jewish lawgivers against the use of diverse measures and weights apply with equal force to the employment of any standard of representative values that may be capable of being made either cheaper or dearer. The use of a variable standard attacks the basic principle upon which the representative exchange system rests, that is to say, it weakens faith and confidence in the exact and equal justice which is the right of all.

Standard must be intangible and invariable.

The measure of products must convey a mutually understood impression of quantity, length, or number, as a bushel of corn, a yard of cloth or a dozen apples. When these concrete products are exchanged for credit instruments

which do not indicate weight, length, or numbers but only value, there must of necessity be found a unit or standard of this intangible thing, value, which is also itself both intangible and invariable.

Every country that has undertaken to supplement barter by means of representative credit exchange has been compelled to adopt some arbitrary term to express the unit or standard of value. In all cases it is only an abstract idea, as invariable as a yard stick, and can no more preserve a fixed ratio to any product than the yard stick can adjust itself to the expansion or contraction of the thing measured.

Value is variable. Value itself is variable. It is ever rising or falling. Its static periods, if they exist at all, are of exceedingly short duration. The dinner to the hungry man is valuable, but this eaten, the next is worth considerably less. The more immediate the need, the more difficult the satisfaction of it, the higher the value.

Credit exchange facilitates barter. The adoption of a system of representative credit exchange is not intended to lessen barter in any degree. On the other hand, it facilitates it. The more efficient the system of representative credit exchange, the more general will be the actual bartering of products themselves.

The standard of value—this arbitrary idea representing the unit of value in credit exchange—must, like the bushel or yard, remain invariable, and its exponents show the exchange ratio of the product to which it is applied, just as in the case of the measure of products the bushel is an invariable quantity while the number of

bushels indicates, when the exchange of products takes place, the ratio that the product measured bears to that for which it is exchanged.

The standard not flexible.

This unit or standard of representative value therefore can have no flexibility. Any change in the value of the unit of value is not flexibility but an alteration of the standard making it either cheaper or dearer. In other words, such change is the adoption of a new standard of value and introduces the immoral practice of using diverse measures by which one buys in a large measure and repays in a smaller or vice versa. This is obviously robbery, and is subversive of every principle of fair exchange and destructive of confidence and faith, the foundation upon which a system of credit exchange must rest.

Representative credit exchange.

Since credit exchange is effected by means of representatives of value these must originate from material values, because they are but the shadows of the real substance. They must therefore faithfully represent that for which they stand. A dollar of credit exchange, then, must have behind it a dollar's worth of material value that can be obtained on demand by the holder of the instrument of credit exchange. Whether this instrument be a dollar in currency or a dollar bank credit, it must be convertible on demand into any article that the holder may desire to take out of the world's market. A correct system of representative credit exchange must issue demand obligations for the amount of value of the products put into the market, and liquidate or cancel a like amount of credit value when the products are taken

Credit exchange convertible on demand into products.

out of the market. In this way credit exchange automatically redeems itself.

Credit exchange redeemed in products.

It is the most obvious of fallacies that there must or can be any particular product, whether metal or not, that can be designated as the article of final redemption of credit exchange. Any product that may be bought in the market is performing its part in the redemption of representative value and to the extent of its value is cancelling these demand obligations. When these credit obligations pass through many hands it undeniably makes the operation more complex but in no wise alters its character. If A buys of B one hundred bushels of potatoes at one dollar per bushel, giving him a demand note for this amount, and if then B buys of A one hundred bushels of wheat at one dollar per bushel, paying A by returning him, cancelled, the demand obligation for one hundred dollars, the credit obligation is liquidated and the transaction is closed. If this credit obligation passes through thousands of hands and A finally redeems it in wheat, there is no difference in the principle involved.

Essential features of credit exchange.

Credit instruments, in the last analysis, are finally redeemed in property, the kind of property depending upon the available stock for sale and the choice of the holder of the credit instrument. The essential features of efficient credit exchange instruments are that they each must be for a definite number of the units of the standard of value, and that these demands upon the available stock of things must be promptly honored when and wherever offered in payment for a corresponding amount of value. Failure to meet either of these requirements is fatal to the successful operation of the system.

Credit instruments.

Purely representative credit instruments, for the purpose of this discussion, may be divided into two classes, viz.: government currency and bank credits. In the former are included all paper token money, whether treasury notes or national bank notes, and such metallic token money as may be exchangeable at a given value merely because it bears the government stamp. From it gold is excluded since it is supposed to carry a value as a metal equal to that which it commands as a stamped coin. Exchange of gold for products, loans or payment of obligation is simply barter. Gold certificates are likewise excluded since they, properly considered, are nothing more nor less than warehouse receipts for gold deposited with the government of the United States.

Gold not credit exchange.

All currency practically government currency.

The different kinds of currency, passing from hand to hand without indorsement, are essentially government currency, since all of it owes its general acceptance to the actual or supposed government responsibility for its redemption. There appears to be neither reason nor justification for the variety of this currency. The government alone should issue it, and it all should be of the same kind differing only in denominational value.

Bank credits.

Bank credits include both the demand obligations of banks and deposits subject to check—i. e., bankers' checks against balances in other banks and depositors' checks against balances in bank. Bank credits furnish the greater part of representative credit exchange. It is necessarily more restricted in circulation than government currency but is much greater in amount. It is peculiarly suited for transactions of record and for transmission of larger amounts of credit.

A sound currency system.

Since representative credit exchange is the reflection of property put in the market or sold, and is liquidated when property is taken out of the market or bought for use or consumption, it necessarily follows that a sound system of credit exchange must function in accord with these controlling facts.

Arbitrary alteration in volume of currency changes the standard.

Since the credit exchange existing at any given time should always equal in value the balances arising from the unliquidated obligations incurred in the interchange of property and products in process of exchange, it follows that any arbitrary alteration of this proportion will of necessity result in the change of the value of the standard itself. If the sum of the products sold equals one hundred dollars in value and credit value of that amount is issued for it, and if then this currency is arbitrarily raised to two hundred dollars, the standard will be changed and the adjustment made by means of a rise in the nominal value of the products to equal the amount of inflation injected into the representative credits. The rise in prices that invariably accompanies inflation of credits is due to this cause.

Change of standard alters ratio between debts and products.

If everything rose in periods of inflation or fell in those of deflation in the same proportion, it would not occasion much serious loss, since it would amount to nothing more than counting in higher or lower numbers. Unfortunately, neither inflation nor deflation affects all things uniformly. Fixed amounts either of debts or incomes remain nominally the same whatever may be the change in the value of the standard, hence any arbitrary change either by inflation or deflation is a

change in the ratio between products and property on the one side, and debts and incomes on the other. The creditors and receivers of fixed incomes lose as the standard is cheapened, and the debtors as the standard is made dearer.

Bank credits normally conform automatically to representative credit principles.

If left alone, bank credits naturally conform to the law that representative credits shall maintain an invariable relation or ratio to the value of the unliquidated amounts paid for the things in process of exchange. These demands upon the market are in a direct way analogous to warehouse receipts which entitle the holders to claim at will the stored articles. Upon delivery of the property the warehouse receipt is surrendered and cancelled.

Credit exchange representatives demands for stored value.

In the case of bank credits the thing stored is value instead of property, and the holder upon demand is entitled to receive from the market the exact value of his credit in any kind of property or product that may be found for sale. When all of these outstanding credits have been redeemed in products and property the exchange account stands balanced.

Representative credit exchange should not affect prices.

It will be noted that the scarcity or plenitude of products under this system will neither increase nor decrease the sum of the representative credit values extant. These values are created as the goods are sold, and liquidated as they are bought. Under this system price changes will still occur, but they will be due to the effects of supply and demand, the exercise of monopoly control, etc., and not to arbitrary change in the standard of value.

Fiat credit instruments affect prices.

However arbitrary may be the method of regulating the amount of currency and bank credit, such for instance as issuing currency against government bonds, or metal reserves, or the creating of fiat bank credits against gold reserves, there will be a ratio between the sum of these credits and the balance of representative credits resulting from selling goods into the market and buying goods out of the market, and this ratio regulates the effect that currency and bank credits have upon prices. To illustrate: if the currency and bank credits consisting only of the unliquidated balances arising out of the sales and purchases of property and products made a certain volume of representative credit exchange, the price level, let us say, would be 100. Now if the volume should be arbitrarily doubled the price level would rise to 200. This rise in prices would occur regardless of the character of the arbitrary credit exchange created. Notes issued against gold deposited in the treasury or notes without cover issued to pay governmental expenses, if the amount of the issues were equal would have identically the same effect on the price level.

The value of the unit changed by arbitrary issues.

When credits are restricted to a smaller sum than would normally result from goods and property sold, the scale of prices lowers until an equilibrium is established between things sold and the credits available to buy them, and likewise when the sum of credits is nominally increased, the prices of things rise until an equilibrium is established. Any change of ratio at once raises or lowers the value of the unit or standard of values and thereby impairs the obligations of all preëxisting contracts, since debts, fixed charges and established incomes remain nominally the same whether the value of the unit

of value is lowered or raised. In the former case the creditor is robbed, while in the latter the debtor is doubly robbed, in that the debtor's gains are percentages of low values while the creditor's gains are percentages of high value.

No arbitrary system can be stable.

No arbitrary method of creating currency and bank credits can possibly preserve an uniform ratio to that which should obtain between things in process of exchange and the credits representing them, since it would be impossible for any arbitrary system to function with one which automatically rises and falls as the tide of products flows into the market and recedes out of it.

Arbitrary interference productive of robbery.

It is the effort to do arbitrarily that which should be left free to follow a natural and easy course that involves the financial systems of civilized countries in so much confusion, and incidentally furnishes the few more astute enlarged opportunities to prey upon the less informed masses. So refined is this method of conscienceless robbery that the most of those despoiled are in no degree conscious of either the source or the method of their deprivation. They know that something is wrong and place the responsibility upon almost anything from providence down to the corner grocer. The most of them remain entirely ignorant of the deft hands that pilfer their pockets by the very simple method of expanding or contracting credit, thereby changing the measure of value.

The only proper standard of value.

The only possible standard of value of a system of representative credit exchange, as already explained, is an abstract idea—an arbitrary designation that forms a common term or common denominator into which all values may

enter and permit their ratios to each other to be expressed. It is obvious, too, that no single product can be used as this standard.

The standard does not influence value.

This intangible, arbitrary term called dollar, franc, mark, pound, sterling, rouble, or what you will, expresses the present market value of the product to which it is applied, but in no wise makes, or even influences, value any more than the bushel measure increases or decreases the amount of wheat. The dollar registers the sum of value as it exists, and the bushel measure registers the amount of wheat.

Gold cannot be a standard of value.

Values are created by demand and supply in a free market, or by the same as manipulated in a controlled market. It has already been noted that gold, used as a medium of exchange, is not representative exchange at all but simply barter. Contrary to the general opinion, gold is not and cannot be a standard of value in a system of representative credit exchange. The fact that so many countries have exercised monopoly power to put an arbitrary price on gold does not qualify it as a standard. If the exercise of this power went no further than to decree that so many grains of gold should equal the value of the representative unit, it would have no effect other than to compel those who desired gold for *use* to pay a monopoly price for it. The price of other products would not be affected. But when this gold is controlled by monopolists and used as the basis for the issue of representative credit instruments, it becomes apparent that such a system confers upon its manipulators the power to expand or contract the credit instruments either of currency credits or bank credits or both, at will.

The power to expand or contract credits is the power to rob.

In other words, this power to expand or contract credits is the power to change the measure of value and rob either debtor or creditor, as the monopolistic manipulators of gold may choose. Under such a system, when there arises the need to ship large quantities of gold out of one country into another, it is possible that a serious interference with the orderly functioning of the credit exchange systems of both nations may result, through the creation of a stringency in one and a state of redundancy in the other. This change of credit status is brought about by a contraction of the base of the credit issue in the one and a broadening of it in the other.

Shipment of gold should have no effect on credit exchange.

Under a proper system, based upon the bona fide credits resulting from products sold in the market, the shipment of gold would have no more significance than the shipment of a like amount in value of wheat or any other product. It is a source of infinite wonder that civilized people of supposed intelligence should have permitted the present credit system with its illegitimate use and abuse of gold to continue so long in effect.

Gold as a basis of currency a source of evil.

The use of gold as a basis of currency places in the hands of the dominating financial interests the power to increase or decrease the volume of credits at will, and thus cause prices to rise or fall as it may best suit their purposes. The manipulators of credit by these means may sell when they have made the scale of prices as high as they choose, and buy back when they have made it as low as they care or dare to make it. The exercise of such arbitrary power, dominated as it will be under the present system by sel-

fish incentive, must bring want, destitution, bankruptcy, idleness, starvation and suicide to the many, and untold riches to the few.

Immorality of the gold basis.

It is the power to change the measure, to use diverse measure, to buy in the large measure and to repay in the small. It is contrary to every moral principle and is the meanest, most despicable, as well as the most insidious method of pilfering the goods and chattels of the ignorant, and therefore helpless, who have thus far shown little capacity to discover and place the responsibility for their wrongs. The shame of it is that the imposition upon the world of the so-called gold standard is done in the name of honest, sound money!

Abuse of power and its effects.

America is now (1921) passing through a terrible example of the abuse of power to inflate and deflate credit. It is more striking because it was blunderingly managed. Had it been effected in a more scientific or evolutionary way, the robbery might have been productive of even more spoils, yet it would not have been so keenly felt, in that the loss would have been more gradual and, being extended over a longer time, would have given the victims an opportunity to surrender the booty on the installment plan. While this slower but none the less sure method might, and there is little doubt would, have entailed less privation and suffering, it would have been robbery all the same.

Change of value of standard a heinous sin.

The change of the measure of value whether by a sovereign state, an agency created by it, or an individual is an unholy, unwarranted thing, a heinous sin in the sight of God, which should be forbidden under severe penalties. The sin of the highwayman who holds up his victim and by physical force despoils him, or that of the bold, bad pirate who seizes the cargo and scuttles

the unarmed merchantman, is as white as wool compared to that of the financial manipulator who changes the value of the standard for the purpose of exacting a larger value in settlement than the measure represented when the obligation was made. This language—to those who have not correctly analyzed the principles involved—may seem intemperate, but certainly not so to those who have acquired an understanding of the thing itself.

The characterization in the present case should be construed as descriptive of effects rather than as denunciatory of persons, since the purpose is to expose the unsoundness of the present currency and representative credit system, rather than to call into question the moral derelictions of those who operate it.

Reference has been made to matters of administration, and some of the opportunities for abuse which the unsound system affords have been pointed out, but these may be regarded as incidental digressions. The main contention is that the acceptance of the doctrine that any material substance, gold, or any other concrete thing, ever was or ever can be a standard of value in a representative credit system is an egregious error—and further that the making of gold or any other material substance the basis for the issue of currency or credit exchange renders the system arbitrary and subject to dangerous manipulation both from ignorance and design. Only the omniscient and the omnipotent could operate such a system with the nicety of readjustment that would be required to prevent the evil of constant change of the value of the standard itself.

No material substance can be a standard of value.

The Federal Reserve System.

When these basic truths are fully understood, and we remember that this great country, the United States of America, has committed itself to a system of currency and bank credit that places in the hands of seven men the power arbitrarily to call representative credit into existence to an extent limited only by its relations to a gold reserve, it becomes apparent that the last word in currency and credit reform has not yet been spoken.

Credit currency purely representative.

As has already been pointed out, credit is representative; it is merely the shadow of the real substance. The credit instruments arise as material things go into the market and are sold, and these instruments are automatically liquidated as the material products are bought for storage and use. This being true, what possible relation could there be between a fixed quantity of gold stored in a treasury vault and the ever changing volume of trade in the market? The mere statement of the proposition makes its absurdity obvious.

Objections to the gold basis.

The use of gold or any other material substance as a basis for the issue of representative credit exchange is for several reasons objectional. The amount of gold available at any given time for this purpose bears no proper relation to the amount of credit exchange needed to represent the sum of the values of products and property in process of exchange. These sums are constantly increasing or decreasing as the exchange of products is proceeding rapidly or slowly, hence, instead of the greater activity of the market furnishing, as it should do, more credit ex-

change, under any arbitrary system credit exchange will be relatively more restricted and conditions more stringent as the exchanges take place more readily, and just the reverse when trading is slow. Expressed differently, there will be relatively the less supply of representative credit exchange when most needed, and the greater abundance when there is least use for it.

Credit exchange not capital.

It should be well understood that representative credit exchange is not capital but only the representative of capital, and the demand for credit for purely exchange purposes, if a proper system of credit exchange exists, could never be greater than the supply, for if the instruments of credit exchanges are called into existence by the putting of property and products into the market and selling them, and if buying things out of the market cancels the same amount of value as had been created, it is self-evident that there could never exist a shortage of credit instruments.

A shortage of currency evidence of a defective system.

If at any time there is a deficiency of supply of credit exchange, this proves incontestably that the system under which it is issued and manipulated is defective and arbitrary. Under a proper system by which property and products sold would call into existence automatically their own representative credit values, financial stringency could only occur when the demand for actual capital, i. e., property and products, began to exceed the existing supply of them. When this condition occurs the need is not for more credit exchange, but either for enlarged production or a slacking down in the use of capital.

Differentiation between credit exchange and the acquisition of capital.

A clear understanding of the function of representative credit exchange requires that there must be a distinct differentiation between the function of exchange instruments as such and the matter of acquisition of capital. The former is only a method of facilitating barter; the latter, so far as credit instruments are involved, is the process of collecting them and effecting their liquidation by means of the purchase of actual property or products.

Acquiring capital decreases credit exchange.

As already explained, when capital, i. e., property and products, is taken out of the market it automatically cancels or liquidates the currency and bank credits representing it. If it is reproductively used, it again gives rise to representative credit instruments when the products resulting from the use of the invested capital begin to be sold in the market. Whenever capital is employed in a way that requires a long time to effect the return of products to the market, such use causes a contraction of the basis of representative credit exchange and if carried far enough will produce serious reaction.

"Flexible" currency bad currency.

It is at this point that the temptation arises to provide some method of making the currency and credit exchange system "flexible." Since it is impossible to make something out of nothing, all efforts by such methods to increase the sum of available capital will not only fail of their purpose but produce many harmful effects in other directions, chief among which will be the arbitrary change in the standard of value. The stringency occasioned by the excessive use of capital for things of non-utility, or for the production of useful things in advance of the need for them, is the eco-

nomic danger signal which to the wise would mean either that greater production of capital must be had, or its use curtailed, or perhaps both.

The function of banks.

The function of banks is to gather the representative credits of the country, and those in excess of the immediate need of the holders constitute a loan fund which the banks can loan on time to those who desire to use it immediately. The borrowers proceed to liquidate the representative credit exchange through investment in actual capital. The original holders through the banks have therefore in effect loaned the capital bought by the borrowers, accepting therefor time obligations which take the transactions out of the realm of credit exchange. The banks in making these loans, perform a highly useful service, since surplus capital is thereby kept in constant use, which of itself makes possible a higher degree of social and economic efficiency.

Only loans of bona fide capital legitimate.

It is clear, however, that the legitimate field of the banks is confined to the loan of bona fide capital, and that any method of predicating their loans upon a reserve of any kind which might enable them to loan sums of credit, in excess of the actual surplus of capital available for loaning purposes, is a barefaced fraud upon the public. It is "kiting" credit—a practice that should become as disreputable as it is immoral. No manner of juggling with either currency or bank credits can add to or subtract from the existing stock of products available for loaning purposes. The principal effect of such reprehensible practices is to cause values to be counted in higher or lower figures, as inflation or deflation of credits is practiced.

Gold reserves not useful.

The employment of gold as a reserve is entirely unnecessary in a well conceived representative credit exchange system. It is not needed as a liquidating agent, since representative credits automatically liquidate themselves. It furnishes no reasonable basis for measuring the volume of representative exchange necessary at any particular time for the convenient conduct of affairs. It never has and never can serve as a measure of credit value. Why, then, should governments give to it a monopoly value and make of it the regulator of the volume of credit exchange, especially when such use places in the hands of its manipulators the power to make the country prosperous or destitute as may seem desirable to them?

Excessive gold production an economic waste.

Such use of gold involves a tremendous economic loss, in that billions of gold are produced in excess of the legitimate need for it. If this unwarranted use of it were discontinued and it had to find its proper value in a free market like other products, there would still be a demand for it for its proper uses in the arts, for jewelry, etc., but it is safe to say that its value would fall one-half.

Danger of gold accumulation.

At the present time the United States of America seems to have become the dumping ground of the world for gold, and since it is being sold at a monopoly price entirely out of proportion to its commodity value under a more correct monetary and credit system, there is grave doubt whether the continuation of the policy is wise or even expedient. When, too, it is further considered that practically all European nations are dangerously near bankruptcy and must of necessity have at some time a general reorganization and readjustment of their currency and credit systems, it be-

comes imperative that this country should examine with great care the fundamentals of the subject now under discussion. Should these nations find that gold is not necessary to the functioning of a well ordered currency and credit system and discontinue its use for this purpose, what would be the economic and financial effects upon a nation whose treasury was running over with gold bought at double its commodity value for the uses to which it would be confined under the new plan?

A representative currency system needs no gold.

The thought is strongly suggestive of an analogy that would exist between such a government and the speculator who had filled his warehouses with a commodity which, because of a more restricted use, had lost half its value. That a system of currency and bank credits that will not require the use of any gold can be organized and successfully operated does not admit of serious doubt. Not only can it be made to function, but it will prove far superior to the present system.

Ups and downs of business activity result of defective system.

Much of the rise and fall of business activity is due to the faulty operation of our exchange system. When the heavy losses incident to the irregular production which a defective exchange system superinduces are counted, it will be obvious that defects which impose so great an economic handicap should be eliminated as early as possible.

Under a well organized system of production and exchange everything should move along with continuity and steadiness, except so far as fluctuations might be occasioned by weather conditions affecting crop yields, by wars, political upheavals, and the errors in judgment causing unbalanced production. Under the more correct

system such a thing as a general depression or a great business boom would be practically impossible, and society would be saved the sufferings of the first and the improvident wastes of the latter.

A better system possible.

The organization of a better currency and bank credit system does not appear to present insuperable obstacles. Much of the machinery for it is already in use. The Federal Reserve banks, with the addition of a Central Bank in lieu of the Federal Reserve Board, would furnish the necessary framework. This Central Bank should control the system and should alone be charged with the duty of issuing currency, both paper and coin, restricting the use of the latter to what might be needed for small change only.

The issue of currency against bank credit.

Paper currency should be issued only against the surrender of corresponding amounts of bank credit, and a reserve of credits equal in amount to the amount of currency issued and outstanding should be set aside for the sole purpose of redeeming the currency when returned. In other words, the Central Bank should on demand convert bank credits into currency or currency into bank credits, as the one or the other form was desired.

Not possible to inflate the loan fund.

The Central Bank, carrying a reserve of credit equal to the amount of the outstanding currency and reconverting the currency into bank credit as it was returned, could never increase or decrease the available loan fund by its currency issues or reconversions of it. Currency under this plan would only be issued for use as currency, and when it was no longer needed in this form, it would be reconverted into bank credit.

Change of bank credit into currency or vice versa.

The exchange of bank credit for currency, and vice versa, is constantly done at present. One having a credit at bank has but to have his check cashed to accomplish it, or to deposit the currency and receive a like amount of bank credit. This, however, only applies under the present system to such currency as may already have been issued, while under the proposed plan any amount of new currency could be issued upon the surrender of a like amount of bank credit. In other words, confirmed bank credits would be exchangeable for currency at par—or currency for bank credits on the same terms. Under this plan no gold would be necessary. The dollar, whether represented by currency or bank credit, would be redeemed in whatever the holder desired to buy that was for sale. If he desired gold, he could buy it as a commodity, and it is safe to say, if the proposed system were put into operation, that the holder's dollar would buy more gold than it will now buy under the present system.

Government ownership of the Central Banking system.

The Central Bank with its branches should be owned absolutely and operated exclusively by the United States government. The issue of currency and the control of bank credit are susceptible of such recondite manipulation to accomplish sinister purposes that they cannot with any degree of public safety be left under private initiative, dominated as it will always be by selfish incentive. These social conveniences—public services of the highest order—if democratic institutions are to live, should never be made the sources of private gain. It would be quite as safe for the government to surrender its judicial, legislative, or executive function in favor of private parties that would assume the public power and make it a vehicle of private profit. He is indeed an opti-

mist who would be willing to entrust such tremendous power to any private persons under the most powerful incentives to abuse it. God did not make any man who is sufficiently wise and good to hold the power that this would give him over his fellow creatures. However much opposed the public may be to the extension of public function, due regard for the safety of society, for the life of free institutions and for the hope of social progress will compel it as a matter of stern necessity to apply the principle to this extent at least.

Limiting the sphere of the system.

In the present stage of social development it would perhaps be advisable to confine the operations of the Central Bank and its branches to dealings with the government and the banks. The system should be the repository of all government funds, bank reserves and surplus credits, and should loan them under proper restrictions at the points of greatest need. The rate charged for loans should be only so much as would be necessary to cover the bank's expenses, including its losses. The system should have no power, direct or indirect, to influence rates to be charged by its patron banks. The interest rate, or at least the maximum, that banks could charge for loans should be established by act of Congress.

Regulation of interest rates.

The difficulty of change.

The proposed system presents, of itself, no insuperable obstacle, but the greater difficulty and the more perplexing problem is to find an easy, evolutionary way of displacing the present system, without causing the harmful effects that would attend supplanting an existing system by even a better one that functions on a different principle.

Adjustment of a new system to present standard of value.

The present volume of currency and bank credits has regulated and established the value of the standard—the dollar—and this is true, however arbitrary may have been the method. If, for instance, credit had been inflated one hundred per cent above what it would have been under the correct method, it follows that the introduction of a proper system would produce a change in the value of the standard of value that would alter the ratio of debts to property and products in the proportion that the currency would be deflated. This change, if credits had been inflated, as above stated, would double debts or reduce the value of products by half, as one might choose to express it. If either inflation or deflation takes place, the debtor or creditor is robbed, the standard of value is changed, and the obligations of all contracts expressed in the previous standard are seriously impaired.

Necessary to maintain present volume of credit.

Theoretically, justice would require that all debts, when the new system was established, should be augmented or reduced as the new scale or standard of value was cheaper or dearer than that of the system superceded, but this would likely prove to be impracticable. If the sudden change of value of the standard, with all the attendant and far-reaching evils, is to be avoided, it would be indispensable that the same volume of credit should be maintained, except so far as it might be changed gradually through the operation of economic law.

Character of present currency.

The present currency, National Bank notes, greenbacks, and Federal Reserve notes, are predicated for the greater part, not on actual credits but upon debt. Gold certificates are only

warehouse receipts, and when the gold monopoly is once broken neither these nor the stamped gold dollars will circulate at par with currency based on actual credits. The gold, too, held as reserves against Federal Reserve notes, will decline in value, leaving a loss that must be sustained by someone.

Liquidation of currency.

If these currency obligations, which in the ultimate analysis are nothing more nor less than government debts, are to be redeemed or liquidated, it could only be done either by taxing the public or selling bonds. Either method would produce the same result in that it would take from the stock of bank and currency credits an amount equal to the amount liquidated and cancelled. In other words, the available supply of nominal credit would be decreased to the extent of the amount of currency retired, and the standard of value would be made dearer to that extent. In this case, creditors would be the beneficiaries of the change.

Gradual increase of inflation.

Sufficient evidence exists to warrant the statement that inflation of the currency increased steadily from the beginning of this century to the time of putting the Federal Reserve system into operation. Since that time, the inflation of both currency and bank credits has proceeded by leaps and bounds. The constant increase in the per capita circulation and the rising tide of prices from 1900 to the time of the introduction of the Federal Reserve system have popularly been supposed to be due to the larger production of gold, but the more reasonable hypothesis seems to be that the larger production superinduced by greater intelligence, more scientific methods, and the use of improved machinery, necessitated larger use of currency, and as the method of cre-

Rapid inflation under Federal Reserve system.

ating it was arbitrary and not representative of value going into the market, every dollar issued changed the ratio between the sum of representative credits and the products represented. It is of course understood that, there being no method for transforming bona fide representative credits into currency, all of it was available in the form of bank credit. The natural result of this constant, arbitrary increase of the sum of representative credit caused prices of all products and property to increase in nominal value. This constant enhancement of the price level must have resulted under such circumstances, whether the currency consisted of gold, or simply of paper money issued against bonds or without security. It was the arbitrary increase of the amount of the circulating medium that caused the change in the value of the standard. The enactment of the Federal Reserve law increased the opportunity for changing the price level, vesting, as it did, the control of the credit system in a board of seven, which of necessity must function in accord with the interests owning the system. This law in effect makes a private monopoly of the credit system and bestows upon it power to inflate or deflate the volume of representative currency and bank credit at will. Not only has it the power to change bank credit into currency and vice versa, but it likewise has the power to create arbitrary credit based on private debt.

A suggested solution.

A practicable solution of the problem would probably be found in the following: Organize a government owned and operated Central Bank, which would alone issue currency. Have two distinct forms of paper money. Call the one "Treasury notes" and the other "Credit notes." Issue "Treasury notes" equal in amount to all the outstanding currency obligations except sub-

Two kinds of currency.

sidiary coins and silver dollars actually needed in making exchanges.

Issue "Treasury notes" for outstanding currency.

Call in and retire, by issuing "Treasury notes" for them, the National Bank notes, greenbacks, gold and silver certificates and Federal Reserve notes. This amount of Treasury notes should remain fixed. Under no circumstances should the volume of this kind of currency be either increased or decreased.

Cancel bonds held against bank notes.

The government should take over and cancel the bonds held against National Bank notes, paying the National Banks whatever excess there might be above the amount of the bank notes secured by them.

Disposition of gold and silver certificates.

The holders of gold and silver certificates should have the option of taking either the "Treasury notes" or the coin called for in the notes held, but in the latter case no further liability should attach to the government.

Discontinue gold and silver coinage.

The government should stop the coinage of both silver and gold and divorce itself entirely from responsibility for the market value of them.

The Central Bank, having issued "Treasury notes" for the outstanding Federal Reserve notes, would take over the gold reserve of the system and such bank obligations as covered the outstanding note issues.

Sale of gold to be applied to payment of bonds.

When the gold and debts due against Federal Reserve notes were liquidated, whatever was realized from these sources should be applied to the payment of the public debt represented by bonds. This plan would impose upon the

government the duty of taking over the most of the gold supply in the country. This gold should be gradually sold and the proceeds used to effect the reduction of the government's bonded indebtedness.

It is obvious that there would be a heavy loss involved in disposing of this gold, but it seems fairer that the public should bear it than that it should fall upon a part of the people who were no more responsible than the others for the mistaken public policy that caused the loss.

The suggested system better as an expedient.

It risks little to say that this solution would be productive of far better results than the more radical way of redeeming the outstanding currency and inaugurating the more correct system, since the more radical method, though correct in itself, would necessitate a tremendous change in the price level and establish an entirely new ratio between products and property on the one side and debts on the other.

Stabilization the end desired.

The controlling purpose in the foregoing arrangement is to stabilize values and preserve the existing ratio between products, property, and debts. So far no provision has been made for the increase of currency to take care of the expanding need of an enlarged commerce. The amount of currency heretofore used is made static and, like the laws of the Medes and Persians, should never change.

The issue of "Credit notes."

The Central Bank, or the agency for issuing currency, should upon demand and upon the delivery of an equal amount of bank credit to it by the bank taking out such currency, issue "Credit notes" in any amount and denomination desired. In other words, any bank could get these "Credit notes" for whatever amount the Central Bank or its branches might owe it.

Neither increase nor decrease of loan fund.

The Central Bank must, however, require that the issuing of new currency be conducted on a strictly cash basis. That is to say, that the loan fund would neither be increased nor diminished by the issue of new currency, since it only amounts to a change of form of credit. The bank taking out the new currency, or returning it to the Central Bank for reconversion into bank credit, would have identically the same amount of liquid or loanable funds in either case.

Central Bank reserves.

The Central Bank should carry at all times a reserve equal in amount to the amount of "Credit notes" outstanding, and this reserve should only be used for the reconversion of "Credit notes" into bank credits when the currency was returned.

Currency for use as such only.

Under this plan currency would never be taken out except for use as such, nor would the change in the volume resulting from the issue of it or its reconversion have any effect on the value of the standard or the general price level. Both the "Treasury notes" and the "Credit notes" should be made full legal tender and receivable for all debts, public and private.

Proper banking laws.

Along with this currency system there should be enacted proper banking laws restricting the loaning power of banks to legitimate loan funds, and requiring that they keep sufficient reserves deposited with the Central Bank to insure the safety of their operations.

Interest rates regulated by statute.

The maximum interest rate on deposits and loans should be regulated by Federal statute. Such a currency and credit system would stabilize prices by making the unit of value invari-

able, and harmonize employers and employees, since a variable unit of value is a thing most prolific of labor disturbance, introducing as it must, the question of readjustment of wages to the purchasing power of the unstable standard of value. It would enable both the debtor and the creditor to feel secure that the debt would be liquidated in the same measure that obtained when it was made.

Currency and credit system will not affect prices.

It is not intended to say that there would be no change in prices, but if there were changes they would not be occasioned by the currency and credit system. Price changes would and should occur, but they would result from the operation of economic law.

Economic law the true price regulator.

If, on account of crop failure, inefficiency of labor, or whatever cause, the supply of a given product should be reduced, the price of it would rise to induce greater production. On the other hand, if production were in excess of the need, the price would fall to compel producers to lessen production to the extent necessary to bring the particular products into balance with the demand for it. These changes are salutary and necessary to an orderly, well balanced production and even if they could be stopped, it would be unwise to do so.

Principle, not human discretion to govern.

It will be observed that the proposed plan largely eliminates human discretion in matters of credit, whether exercised by an individual or a board, and relies entirely upon correct principles for the regulation of credit operations. The nation under this plan may make all the bank credit it can and convert as much of it as it chooses into currency, but it cannot lend a dollar that it does not

possess. It cannot perpetrate a fraud upon the public by calling into existence false credit as the present system does, thereby calling down upon the nation the train of evils that invariably follows such reprehensible practices.

This new system may, and no doubt will, be considered radical, but it rests upon sound principles and will stand the test whenever tried. It can only prove to be permanently harmful to speculators and gamblers, who are the beneficiaries of unstable conditions and whose rewards are most liberal when the nation is most unfortunate. Honest businesses of all classes have nothing to fear from it.

Redemption of currency.

It will probably be suggested that no adequate provision has been made for the redemption of the currency herein proposed. This matter of redemption is usually the *bête noire* of immature students of currency. It is frankly admitted that provision for redemption was not made because it is not the intention that it should be redeemed. In the case of the "Treasury notes" the government assumes liability for them simply to provide the public instruments of exchange that may be used in a way that will stabilize the present standard of value, and the fact that these instruments can be used to pay taxes and all other kinds of debts will insure their circulation at par. If they become redundant as currency, they can be deposited with the central banking system and become bank credit or be reissued against a surrender of a similar amount of bank credit.

Stabilization the reason for retaining inflation.

In short, the purpose of keeping this sum of arbitrary inflation in the currency and credit system is to stabilize it and avoid the terrible injustice and suffering that must result if deflation takes place.

"Credit notes" will be automatically cancelled.

The "Credit notes" issued against bank credit will automatically be cancelled when they are returned and are reconverted into bank credit, and the latter will be liquidated or "finally" redeemed when it is exchanged for property or products taken out of the market.

Under the plan proposed it is entirely probable that the "Treasury notes" will furnish all the actual currency required. The provision for "Credit notes" is made to take care of needs that might arise under exceptional circumstances.

The extent of inflation.

The amount of representative credit instruments now in existence is at present made up of all the currency outstanding plus the bank credits. Since the currency has been arbitrarily issued without relation to or diminution of bank credits, it follows that the credit system is inflated to the extent of the total currency issued.

The object in converting the various kinds of arbitrary currency into one kind is to stabilize it and thus keep the credit system inflated to the same extent at all times as it is now. To effect this purpose it will be necessary for the Central Bank and its branches to set up a reserve against all "Treasury notes" as they come into its possession. Otherwise the deposit of this currency, creating as it will a corresponding amount of bank credit, would make it possible for the Central Bank to loan the currency itself and thereby increase the amount of inflation to the extent of such loan. To illustrate: a deposit of a thousand dollar "Treasury note" would make a bank credit of similar amount, and if the note itself were loaned there would be credit instruments representing double the amount of the deposit in existence. If, how-

Reserves to prevent further inflation.

ever, the Central Bank system, upon the acceptance of this deposit, must increase its reserve to the amount of the "Treasury note," its loan fund would only be enlarged to the extent of the amount credited to the depositor. In effect, the "Treasury notes" in the Central Bank would not be a loan fund at all, but only a collateral security against the bank credit given the depositor. In this case this currency could only get out of the Central Bank upon the surrender of a corresponding amount of bank credit.

Reserve against "Credit notes."

In the case of "Credit notes," the reserves would operate in exactly the opposite direction. The reserve should be set up against the amount of currency sent out instead of the amount taken in as in the case of "Treasury notes." The capacity of the Central Bank to loan bank credit should be diminished to the extent that it issued credit notes and vice versa. While it is not intended to deal here with banking problems, it may be said that the handling of currency by banks, unless properly restricted by laws compelling them to set aside reserves to prevent the practice, gives them great opportunity to inflate the loan fund, especially during periods of great business activity. Knowledge of this fact suggests the inquiry and invites investigation as to the extent of the practice, the effect of it upon the stability of prices, and how far it is responsible for the intermittent rise and fall of business activity.

Query as to banks.

Probable bank inflation.

There is reason to believe that unwarranted inflation of the loan fund by banks has been carried to a much greater extent than is generally supposed, and that the practice is by no means of recent origin, which in turn suggests the query how much of the nominal increase in national wealth during

the last half century is an increase of genuine capital and how much of it is mere inflation.

Booms and depressions indicate unsound currency and credit system.

Booms and business depressions are infallible symptoms of a defective currency and credit system, and while these recur we may know of a certainty that there is need for further analytical study and constructive readjustment of it. These phenomena will continue to appear, most likely in cycles, until a system is devised that will make the standard of value invariable.

Arbitrary increase or decrease of credit changes standard.

One thing at least is clearly established, that any arbitrary increase or decrease of the nominal amount of either currency, bank credits, or the surplus of capital available for loans, has the direct effect of changing the purchasing power of the standard of value, seriously impairing the operation of the credit exchange system, superinducing a train of economic and financial disturbances that might be avoided by the substitution of a system more in accord with sound economic principles and with that most emphatic moral injunction—thou shalt not steal.

Correct system admits neither of inflation nor deflation.

This better system would deny to all the opportunity to inflate or deflate the currency and bank credits, and would reduce legitimate banking to gathering the surplus credits of the country and lending what the banks actually had, less reasonable reserves, to the end that this surplus might be employed all the time in the beneficial process of reproduction of capital.

Post war troubles due to failure of credit system.

The greater part of the unfortunate conditions following the world war is directly due to the breakdown of the currency and credit exchange systems of all countries. The fact that this general breakdown has occurred is sufficient to raise the question of the soundness of the system itself and to stimulate investigation as to the causes of its failure to function efficiently.

It is well within bounds to say that the losses of the world since the war, on account of currency and exchange credit difficulties, are second only to those actually resulting during and incident to the war itself. The interference with production and distribution occasioned by the credit exchange situation caused losses that cannot be exactly determined, but even superficial examination will show that they were enormous.

It cannot be too emphatically expressed, or too strongly impressed, that there can be but one basis for the issue of representative credit exchange, that this basis is the values of property and products sold into the market, and that this credit exchange, whether it is in the form of currency or bank credit, must be the evidence of title to these values.

If the evil effects of an unsound currency and credit exchange system are to be avoided, it is of primary importance to ascertain the things that cannot serve as a basis for currency or bank credit. In this class of non-permissible things should be included:

1st.—Warehouse receipts for stored products. It matters not what the product may be or who the warehouseman is. It is immaterial so far as the effect on credit exchange is concerned whether the product be gold in the government treasury vaults or cotton in some warehouse, the issue of currency or bank credit against

either has the same evil effect. It changes the value of the standard and destroys its stability.

Intrinsic value does not qualify a product as a basis for currency.

It should be remembered, too, that the intrinsic value of the stored product does not affect its suitability as a basis for credit exchange. The product in such case is merely collateral, and even though it may be always worth the value called for by the currency issued against it, it is unfit for a basis of currency issue, since it is not the solvency of the issue but the fact of issue that affects the currency system adversely, by destroying its equilibrium, which changes the ratio between products and debts.

Effect upon prices.

The issue of currency or bank credit against stored products in its effect upon prices is equivalent to creating an unlimited demand. This arbitrary issue with its false demand causes prices to rise out of all proportion to what they would be under the operation of legitimate demand. The effect of such issues is identical with that of all other forms of inflation of the circulating medium.

Debt public or private not a proper basis.

2d.—Debt in all forms, whether that of a government or of some organization operating under its authority, can never form a proper basis for a currency or bank credit issue.

Currency and bank credit a trust obligation.

At the risk of repetition, it can be said that currency and bank credit, two forms of the same thing, form a trust obligation of the most sacred character and, commercially speaking, it is strictly in accord with the truth to say that damnation follows inevitably any abuse of this trust.

The terrible ordeal through which the people of the United States have been passing during the past two years, and the still more destructive experience of European countries during the same period are directly attributable to abuses of the trust obligation involved in their currency and exchange credit systems.

Sound currency and bank credit.

Genuine, sound currency or bank credit represents title to the value of products and property sold into the market and is therefore as much an evidence of title as is a deed to a piece of real estate. The holder of this evidence of title to value had necessarily to surrender for it property or products of equal value before coming into possession of it. There cannot, therefore, be any legitimate issue of currency or bank credit until and after property or products have been sold, which acts give rise to representative value.

Government currency a debt.

Governments are not productive and therefore cannot issue currency except as a debt —a demand obligation or promise to pay. This in no sense is currency and has no proper relation to a sound currency system based on representative credit.

Government currency not money.

The effect of government issues of so-called paper money—which is not money at all but only a public debt—is to destroy the invariability of the standard of value. It impairs the obligations of contracts, and in effect makes necessary that the debtor class rob the creditor class while the volume of the issue is increasing, and likewise compels the creditor class to rob the debtor class, doubly, when the volume of the issue is being decreased.

Currency against deposit of bonds, etc., unsound.

3d.—The issue of currency against the deposit of bonds or any other form of collateral, public or private, is unsound, for the reasons already given in the discussion of currency based on stored products.

The use of collateral.

Collateral security is entirely proper as security for loans of currency and bank credits that have been legitimately created, but it has no proper relation to the process of bringing such credits into being.

Currency a trust not necessarily affected by unbalanced budgets.

If governments were faithful to the solemn trust obligation involved in a sound currency and bank credit system, their unbalanced budgets would of course affect adversely their financial obligations but would have no effect upon the circulating medium. Their credit, if they were improvident, would be impaired and this would be reflected in the lower price of their bonds and other obligations, but if the exchange system was kept separate and distinct, as it should be, from public debt, the currency and bank credits would continue to pass at par—however involved the government's financial affairs might be.

To illustrate the point in the preceding paragraph: If A's outgo was greater than his income, his credit would become impaired, but if this same party was at the same time a trustee, and his trust accounts were in solvent condition, his credit as a trustee would remain high. In such a case, A's individual paper would be below par while his trust obligations would at the same time be unimpaired.

Government issues of currency a trust function.

Governments are best fitted to provide the organization for furnishing currency, but only as a trustee for the public. When they abuse this trust by undertaking to issue their own demand obligations to be used as currency to provide for their own needs for capital, this act destroys the hope of a proper currency system and insidiously foists upon the public a spurious currency, which is nothing more nor less than a non-interest-bearing government debt. Such a practice has never worked out satisfactorily and never will, because it grossly violates the fundamentals of sound currency.

European and American systems compared.

Russia, Germany, Austria, and other European nations are held up to ridicule on account of their false currency systems, but that of the United States of America is only better in degree. It employs the same basic principle as they do, with this difference: They issue government obligations to be used as currency for the purpose of getting for government use the capital that should be gotten either by taxation or legitimate borrowing, while the United States issues currency predicated on private debt, guaranteed by the government, not for government purpose but in order to furnish banks this manipulated and false credit to loan. In this way they are enabled to loan what does not exist. In other words, the banks under this system "kite" credit—another name for plain unvarnished inflation.

CHAPTER XII.

NEXT STEPS.

Better understanding the object.

The controlling purpose of the preceding chapters has been to stimulate thought on the subjects discussed and to promote a better understanding of the principles that govern them.

Suggested application of principles.

The present aim is to suggest such public policies as may be in consonance with these principles, to the end that social progress may be secured in an orderly, evolutionary way that will obviate those harsher revolutionary changes and destructive reactions which always follow renewal of progressive effort too long delayed.

Past attitude against coöperation.

The first step in the right direction should be an effort to change entirely the attitude of the law-making power toward coöperation. In the march upward from anarchy, social laxity, and inefficiency to closer coöperation, the law has been written upon the assumption that coöperation was a crime in itself. The Sherman anti-trust act, enacted thirty years ago, made it a crime to make any combination that was capable of being used to restrain trade.

Two classes of crimes.

The law recognizes two classes of crimes, those acts which are wrong in themselves—*malum in se*, and those which are right in themselves but criminal only because the constitution or statute makes them so—*malum prohibitum*. The anti-trust law and acts of similar character, in so far as they prohibit acts right in themselves, evidently belong to the latter class.

The law-making body might with equal reason and on the same principle enact a statute prohibiting the use of knives because forsooth some demented creature might cut his throat with one of them.

Law against evolution not effective.

The best evidence of the futility and stark unwisdom of such legislation is the fact that in the period from the passage of the prohibitory law referred to above to the present time, more combination has been effected than in any similar period of previous history, and this, too, in the teeth of laws forbidding it under heavy penalties! The law and the courts were powerless to prevent that which the evolution made mandatory.

It is unthinkable that this could have occurred if combination had been wrong in itself. What seems to have taken place was that the legislative bodies, in obedience to an uninformed public opinion, sought to stay the march of progress, and imposed upon the courts an impossible task, with the result that the law remained practically a dead letter, and the attempts to enforce it became the subject of jest and ridicule.

Courts given impossible task.

Abuses, not sound principles should be legislated against.

Instead of prohibiting combination and coöperation, the policy of the law should be to encourage them. These forces are the most powerful agents of social uplift. Without them civilization would be impossible. The recognition of a right principle in no wise commits one to the abuses of it, and the law might well concern itself with measures for the prevention of the latter. Combinations are simply instruments which may be used either for proper or improper purposes. If the lawmakers would confine themselves to devising methods of

discovering and prohibiting the latter, it goes without saying that their time would be fully employed and the results of their labors would be far more effective. The strength of the strong is not denied him because, perforce, he might use it to despoil his weaker neighbor. Action against him is deferred until he has actually done, or shown unmistakable signs of doing, something that would prove injurious to others. The combination is but an aggregation of individuals, and the same policy that applies to the one should apply to the other.

Unwise laws give unexpected results.

The law against combination furnishes a rather striking example of the fact that laws or acts predicated upon an unsound premise sometimes produce quite unexpected results. The object of this law was to prevent the enlargements of the units of production and distribution, ostensibly to forestall the abuses against the public that such concentration of power in private hands would make possible, but the actual force behind this restrictive legislation was more likely the efforts of the smaller units to prevent the destructive competition that they feared from larger operation.

Combination has come in spite of law.

Regardless of the law greater combination has come, frequently merging many small units into a single unit. The large unit has now acquired, or can acquire without further combination of units, all the capital that it requires, and possessing all the advantages that attach to large operation, it has the smaller units at a serious economic disadvantage, and may now invoke against them this same law to prevent them from combining to protect themselves against their more powerful competitor. A rather good example of being hoist with one's own petard. The

most powerful combination now has least to fear from this policy of repression. It is now the smaller units, desiring as a defensive measure to get together, who will most likely feel the stinging blows of the lash which they so gladly prepared for the backs of their more ambitious rivals.

Laws for social expression. Better results may be expected from laws that are in consonance with right principles and that, on the corrective side, concern themselves only with the detection and punishment of acts which are wrong in themselves. Constructively, laws should provide methods for proper social expression, i. e., there should be provided a lawful way by which any right thing may be done.

Adapting laws to a situation. The constructive statesman in adapting legislation to present situations, must constantly take into consideration the existing need and the present state of economic and social evolution. The ideal should be retained, but that is the shadow line in the dim distance which, like the horizon, recedes as it is approached. The paramount purpose should be the continuous development of coöperation and the substitution of public initiative for private whenever the latter has reached the point of economic development where its inherent weaknesses and evils overbalance the good that it can accomplish as an imperfect agency for the extension of the coöperative principle.

Institutions born, not made. In this connection, it should be remembered that institutions, like poets, are born, not made, and that ready-made models do not as a rule fit the environment in which they are intended to function. This being true, both practicability and prac-

ticality become matters of vital importance in all propositions involving radical departure from the established order.

While these complications do not furnish any valid reason for the undue retardation of sane progression, they do, nevertheless, suggest proper enquiry and painstaking effort to adjust the new order to the old so as to avoid all unnecessary jar in the social service system and any hiatus in the service itself.

Social development local state, national and international.

The work of social development may be divided as it relates to matters of local, state, national, and international concern. Coöperation, if successful, must serve a common interest, hence it will develop least in sparsely settled communities.

Rural districts.

In rural districts, the best field for such endeavor will likely be found in coöperative action to promote education, health work, civic betterment, production, coöperative buying and selling, and recreation. The schoolhouse should be made the social centre from which the effects of all of these activities should radiate.

Mere literacy a means to an end.

Mere literacy, only a means to an end, should cease to be regarded as an end in itself. The effort should be to develop thought, and if possible, increase the power to think, so that all things that affect life may receive that intelligent consideration so vitally important to individual and social growth.

A democratic school system.

The school system should be democratically organized so that responsibility and leadership in matters of local concern would devolve upon the

people most directly interested. The effect of this policy instead of conflicting with or enervating general management would be most helpful in making it doubly efficient by furnishing a local organization for carrying coöperative policies from whatever source into effect.

Develop in accord with local interests. Each community, whether rural or urban, should undertake to develop along the lines of its own peculiar interests. The general principles may remain the same, but the methods of application and the subjects considered and stressed should be adapted to the needs of the locality. It would be a waste of time to teach agriculture to industrial workers or vice versa.

The service principle in cities. Cities with greater density of population and the more closely knit organization that it compels are well prepared for an extensive application of the service principle. It is surprising that this has not already taken place to a greater extent. Just why a community should burden itself with graft, political corruption, boss government and exploitation, when by a little organization, and the use of its own wealth and credit for its own protection and benefit it could get rid of such undesirable and demoralizing influences, is an enigma which suggests searching enquiry as to the intellectual and moral capabilities of its citizenship.

Public ownership and operation. There appears to be no reason in the services themselves that would prevent the public ownership and operation of a city's public service institutions. The successful operation of heat, light, water, gas plants, and transportation systems involves nothing more than sufficient capital, proper organ-

ization and efficient management, all of which are within the reach of the average city. Under these circumstances, the failure of the city to provide such public service, making it necessary to burden the people with the tribute that private monopoly must impose, is a reflection upon the community itself.

The city manager idea.

The general spread of the idea of better municipal organization, as indicated by the many adoptions of the plan for the administration of the affairs of cities by city managers, is a most hopeful indication of civic awakening and progress. The concentration of power and responsibility that this plan connotes makes possible the employment of initiative and an attainment of efficiency that will go far in promoting the growth of public opinion favorable to more extensive application of the service principle. The world waits for some agency to do its work and it goes to the hands that will do it best. Once demonstrate that a city can do these things for itself better and cheaper than private agencies can do them for it and the latter will be forced from the field.

Possibilities of state action limited.

For reasons previously given, the separate states have only a limited opportunity to engage in socialistic enterprise. In case the state undertakes it, capitalism presents a solid front in opposition, and if the state should be dependent upon private parties for any considerable amount of capital it will likely experience great difficulty in supplying its needs. Having the power, special privilege will not hesitate to coerce the state to the extent necessary to defeat its purpose to limit exploitation.

Capitalism and states' rights.

The attitude of capitalism toward states' rights is best illustrated by the course pursued by the railroads in the matter of rate regulation. In 1906 when the Hepburn rate bill was under discussion, the roads were ardent advocates of local government and states' rights, presumably because under the proposed plan of Federal regulation they anticipated that the Interstate Commerce Commission would wield the rod of correction with more force than state commissions had done or could do. Some of their spokesmen went so far as to denounce Federal regulation as "commercial lynch-law," but a new light broke upon them after the law was passed.

Railroads surprised.

The roads were agreeably surprised to find that it required less time and energy to undertake to establish the soundness and probity of their propositions before one central commission having jurisdiction coextensive with the country, than it had formerly done to accomplish the same result before forty-eight separate commissions whose jurisdictions were limited to their respective states.

Change of base.

Presto, their views changed overnight and they became as earnest in their advocacy of enlarging the power of the central authority as they had before been in their opposition to it. As to states' rights, so far as the roads cared, they might go hang.

Rapid concentration of power.

Evidence is not lacking that the roads have made substantial progress in getting public policy brought into line with their revised program of centrallization, since the Interstate Commerc Commission is not only naming interstate rates but is commanding the state commissions to bring intrastate rates into proper relation to them.

The courts have sustained the power of the Interstate Commerce Commission to compel the state commissions to obey its orders as to intrastate rates, and by this decision have scrapped the idea of a federal government of limited powers made up of an association of sovereign states. This is only another of the many instances that sustain the view that economic necessity or power dominates political power, however fundamental the matter may be. Economic necessity brings the political structure into accord with its demands, written constitutions to the contrary notwithstanding.

Economic power greater than state power.

The large business units under private initiative are potentially greater than the separate states, and therefore state action in this direction would most likely result in failure.

State communism.

The most promising prospect for the extension of state function lies in the direction of communism. Public education and public health, provision and care for the dependent classes, the detention and care of prisoners, the building and upkeep of public roads, and other things of like character, are all purely communistic, that is to say, they require that the contribution shall be according to strength and the distribution according to need. These things cannot function under the profit principle and therefore the state meets no organized opposition in this field, except as to the amount of the tax levied to support these activities.

Health work and schools go together.

It may be said, while on the subject, that education and health work are only different parts of the same thing. They should be more closely related than they have been in the past. The

failure to realize the vital importance of giving more attention to the health of school children is responsible for the waste of enormous amounts upon those who are incapacitated by remediable defects and diseases.

Support for schools and health, state and national.

The support of the schools and health work should come largely from the state and the general government, since they alone have the power to reach the wealth in all sections and distribute it uniformly where the need exists. There is of course no objection to localities supplementing these contributions, but only after the state and nation have done all that they should do.

Increase of government function.

As coöperation progresses, the constant tendency is to increase the functions of all the divisions of government. The local government continues to introduce new activities and also to develop those previously started, so that they, in many cases, become a part of the state's work; and the state pursuing the same course, matters of purely intrastate concern finally become interstate and come under the general government. This change of relation takes place whether the operation is under private or public initiative.

Growth and extension of business.

The small business serves the locality, but if it continues to grow it will spread first over adjacent localities, then the state, and finally become national and even international in its relations. For this reason the greater part of the task of making economic readjustments will naturally become the duty of the national government, and it is in this forum that the larger causes will finally be determined.

Conservative progression. There are perhaps even now many things under private initiative which are sufficiently developed to warrant putting them under the service system, but conservatively progressive leadership will no doubt conclude that a few things undertaken and done well would in the long run prove a better policy than to invite the confusion that might result from trying to do too much at once.

Fields for nationalization. Whenever the general government decides to introduce the service system, it, like the fruit grower, should gather the ripest first. The railroads, banking and currency, telegraph and telephone systems, and the coal industry present inviting fields for experimentation in nationalization. There are many reasons, economic, financial, and political, why these things should be brought under the service principle as early as possible.

One system of railroads. The different railroads should be parts of one system so that all unnecessary duplication could be eliminated. There is no way by which maximum efficiency can be attained while thousands are engaged in doing for the separate roads what a much smaller number could do better for a single system comprising the entire mileage of the country. If there were only one unified system, freight would be sent by the shortest route or at least by that which involved the lowest cost, millions would be saved by the elimination of the unnecessary appendages that are now required to get business for the separate lines and to keep accounts of the numberless adjustments that division of management and interest makes necessary. It is hardly an exaggeration to say that, if the salaries of the official and legal

staffs that could be easily dispensed with under government ownership were deducted from rates, an appreciable difference would be made in them.

Efficient operation. Under this plan the rolling stock would work with greater efficiency, which is equivalent to saying that less investment would have to be made to furnish it. The greatest saving would likely be on the financial side. The change would at once put the banking interests out of the railroad business. There is abundant evidence available to prove that the major part of the railroad shortcomings are found here, vide New York, New Haven and Hartford, and many other cases, where banking interests have wrecked the properties upon which they got their clutches. They use these instruments of public service for the purpose of collecting tribute from the highest to the lowest. It might be thought that the stockholders are the beneficiaries of this imposition but the indications are to the contrary. The prices of railroad stocks, and the amount of dividends paid, are strongly indicative that the financial jugglers see to it that the most of what is gotten from the public is safely anchored before it ever gets to the stockholder. The proverbial poor widow and orphan, who have so often been apostrophized by eloquent pleaders for private ownership, must now count themselves fortunate if they get a small dividend, since in many cases they get nothing.

Financial savings.

The public may lose money by having to pay exorbitant rates, the stockholders may lose by the road's failure to have sufficient net earnings to pay dividends, but it is safe to say that the banking interests which control the roads, and which of all are most insistent upon keeping them in their hands, are sufficiently satisfied with their returns to induce them to continue the present arrange-

ment. On the surface it appears that they have made national beggars of the railroads, ever asserting the claim that they are on the verge of starvation.

Railroad's tale of woe.

Dressed in the conventional tatters of the alms-seeker, unkempt and unwashed, the railroads are constantly paraded before an always sympathetic and sometimes simple public to tell their oft repeated tale of woe and ask that they be saved from destruction. Strangely enough their appeal is generally effective. Whether the managers of the show use the receipts to pay larger profits on purchases from the enterprises which they control, or to pay the price of financial assistance, is not material. The pertinent fact seems to be that the public and the ordinary stockholder have little consideration when the final settlement is made.

Banking control no longer needed in transportation.

The fact that railroads are indispensable, that the present state of social development could not be sustained if they ceased to function fairly efficiently, furnishes no valid reason why they should be left under the control of the banking interests, which apparently are using them as a cat's paw to drag chestnuts out of the fire for their own delectation and profit. Agencies of any kind have an excuse for existence only so long as they are the most efficient that society can command for the particular work assigned to them. There may have been a period in the life of railroads when the bankers, however expensive and wasteful the service, were quite necessary to the development of the transportation system, but it is no longer true. There does not now remain a vestige of reason why the people of the United States should permit the transportation business, affecting as it does every interest from the highest to the lowest, to be transacted

on the basis of a financially embarrassed concern that finds itself compelled to submit to loan-shark exactions. Every consideration of sound economics, enlightened public policy, and a proper regard for public safety, demands that the transportation system of the country shall be taken out of the hands of private banking interests and made independent of them.

No entangling alliances between public and private interest.

It cannot be too strongly emphasized that, if public ownership and operation are adopted, the change should be clear cut, that is to say, that there should be no entangling alliances with private interests, since the latter on principle must of necessity be an antagonistic element that would continually work to the detriment of public ownership and operation.

Government ownership of the railroads, resulting as it would likely do, in the adoption of a single classification of freight in place of the three general classifications and the various local classifications and exceptions now in use, would put rates upon a mileage basis. Each locality would then stand upon its own economic foundation and its development would be normal.

Policy of congestion.

Much of the movement of population from the rural districts to large centres is directly attributable to the transportation policy adopted by the railroads, which by giving preferential treatment in service and rates to selected localities has concentrated manufacture and commerce in these favored spots.

Effects of equal opportunity in transportation.

If the government owned the roads and treated all sections and localities alike, giving to each the service to which it is justly entitled, this policy would certainly have a most pronounced and far-reaching effect upon our civili-

zation. Congestion would disappear and the growth of small towns and villages would be greatly promoted. This policy would also have a profound effect upon the general marketing system of the country and upon the habits and customs of the people.

Smaller units of production would result.

Under such a plan, the growth of the larger units of manufacture and commerce would in most cases be retarded and in others arrested, and many smaller operations would find it possible to meet successfully the competition of the larger aggregations that have been promoted by the preferential policy now in vogue.

Would regulate trusts.

The introduction of this system would do more to regulate the so-called trusts than all the restrictive laws that ever have been passed. The effect would be a general slowing down of the movement toward centralization that otherwise will in a short time drive society to a nationalization of industry or to a revolution, perhaps both. The present transportation policy has unduly stimulated the concentration of industry and commerce, and in these cases has superinduced an unhealthy growth. In business as in other forms of growth, the more normal development, even if slower, is preferable. Public policy should encourage coöperation, but only to the extent of giving it an opportunity to develop in ways that involve no contravention of the rights and immunities of others. It should be given a square deal—nothing more, nothing less.

Nationalization of railroads reactionary.

Nationalization of railroads is considered by many as a radical measure, but taken in connection with the effects of this policy upon the industry and commerce of the country, it is

ultra conservative, not to say actually reactionary. It would make impossible the realization of the dream of the extreme radical, who impatiently awaits the nationalization of practically everything.

Credit and currency.

The framers of the United States' Constitution apparently recognized the imperative necessity of reserving to the Federal government the power to "coin money, regulate the value thereof, and of foreign coin and fix the standard of weights and measures." They understood the evil effects that inevitably follow the use of a variable standard and therefore gave the power to Congress alone to fix it, both in the matter of weights and measures. It does not appear that they contemplated that the Federal government should issue any paper currency, except as an exercise of its power to borrow money on the credit of the United States. It is quite plain that they had no adequate comprehension of a purely representative credit system and the credit currency that it requires.

Power of Congress to issue currency.

It is true, however, that they, in vesting the power in Congress to fix the standard of weights and measures, adopted a principle that fully authorizes any action that Congress may take to effect the purpose. If the creation by the Federal government of a representative exchange system, involving the issue of paper currency, is a necessary part of the exercise of its power to fix the standard of the measure of value, it has, under Chief Justice Marshall's principle of interpretation, the unquestionable power to do so. It does not appear that the Federal government has power to issue currency for any other purposes than the two stated above, and since its issue of it to borrow money on the credit of the United States makes

it impossible to fix a stable standard of credit exchange value, it is morally, at least, restricted to the single purpose of issuing it for representative credit exchange.

No power to lend public credit for private use.

If Congress has power to borrow and to issue currency as evidence of debt, it goes without saying that this must be done for governmental use. Therefore there appears to be no constitutional authority for such practice when it is for private use, as is now done under the Federal Reserve act. Vesting power in Congress to borrow by no means carries with it by implication or otherwise the authority to lend, more especially when the government has no interest in the use to which the loan is to be put.

It is a source of astonishment that there should still exist such a widespread idea that a government has but to put its printing presses to work to create value, and that it can shovel out all the capital that may be required to satisfy both the needs and the wants of its population.

Government cannot make something out of nothing.

How long will it be before the public develops common sense enough to know that a government, like an individual, cannot make something out of nothing, and that its source of acquisition resides in its power of taxation, therefore it can have nothing to lend unless it first takes it from someone else.

No proper relation between currency system and public debt.

There is legitimately no sort of relation between a proper currency system and public debt. These two things should be kept absolutely distinct. If this were done, the currency of the country would remain stable regardless of the condition of the market for government securities. In this method of dissociation

of public debt from currency lies the best hope for the rehabilitation of the currency systems of the practically bankrupt nations of Europe.

An international currency system.

It would greatly facilitate international trade if a single standard of value, international bank credits, and an international currency were provided. The organization of such an international system, according to the principles discussed in the proposition to inaugurate a purely representative bank credit and currency system for the nation, would present less difficulty than in the latter case, because there exists no international system of exchange that would have to be amended or abolished. The first step would be the selection of a standard of international value. To illustrate: call the unit of value "unum," one tenth of it "decimum," one hundredth of it "centesimum." This would give a decimal system with "unum" as the name of the unit. The ratios of all countries could be arranged as follows:

1 dollar	= 1	"unum"	
1 pound sterling	= 4.8665	"unum"	
1 mark	= .238	"unum"	
1 franc	= .193	"unum"	etc.

Each country could adopt as the ratio of its local currency to that of the international system the same ratio that it formerly had under the gold standard system. Each nation is familiar with this value and could readily adapt itself to the new system.

All quotations, contracts and sales in international trade would be in the denominations of the new system, and the adjustment that might be necessary on account of deranged local currencies would be a matter for local determination, but it would not in any way affect inter-

national transactions. In other words, the international standard would furnish an invariable measure of the value of the products entering into international trade.

If, for instance, a Frenchman, German, or Englishman quoted an American a certain article at so many "unums" per pound, yard, or gallon, the latter would not concern himself either with the solvency of the particular country from which the quotation came or the stability of the value of its internal currency. The only things that would interest him would be the soundness and stability of the international credit and currency system, and the value of the international unit translated into that of his own country.

Under such an arrangement all international business could be done under a single standard, and credits arising under it could be transferred to any part of the world where it was in vogue. If, for instance, England bought from Russia and Russia in turn bought from Brazil, the international credit agency by a transfer of credits to Brazil could settle the entire transaction. Such a system would not be confined to adjusting trade balances between any two countries but would be a clearing house for the world's international transactions.

It is obvious that this system would require the organization of banks in every country, or at least that the system should have working connections there.

International currency and bank credit.

The sale of goods in the international market would give rise to international bank credits which in turn, if it were found useful, could be converted into international currency, thus making these two forms of such credit interconvertible. It would of course be necessary in the case of the issue of currency to set up a reserve against it, to

prevent the inflation that would result from the use of both the currency and the bank credit.

The international banks should keep the bank credit and currency department absolutely distinct from their regular banking operations, such as discounting time drafts, the loaning of surplus credits, etc. Such an institution should be jointly guaranteed by the governments of the principal trading nations, so as to give the confidence necessary to make its obligations pass current anywhere in the civilized world.

International prices.

Once this system were inaugurated, the goods entering into international trade would soon be quoted in the new standard of value, and the rise or fall of the value of the national currencies would be of no international concern or effect. In other words, if a nation's currency became absolutely worthless, it would not interfere with its citizens exporting their goods sold by the international standard and receiving international currency in payment for them. It is only intended here to make crude suggestion. The details can be worked out by financial technicians when the matter becomes a practical question.

The principles involved have already been discussed in the chapter on Currency and Bank Credit, but it cannot be too strongly emphasized that the present currency system is fundamentally unsound in many respects, and that the so-called gold standard system should be discarded at the earliest moment, lest America have the sad awakening that comes always to him who overstays his market.

Who believes that the poverty stricken nations of Europe, when the time comes for readjusting their currency systems, and come it will, will undertake to purchase sufficient gold to form the basis of their currency

systems when they can construct infinitely better ones without the investment of anything for that purpose?

Great Britain and the gold standard.

Great Britain may, and no doubt will do all possible to preserve the gold standard with its unjustifiable use of gold since sixty to seventy per cent of the world's production of gold is within her empire. Other nations, once they have seen the way out, will not likely help her sustain the monopoly price on gold that enables her to sell it at perhaps double what it would bring in a free market after its use as money had been discontinued.

Creation of a Central Bank.

This country has already deferred too long putting its house in order, and further delay will not make the consequences less serious when the storm does break upon us. The taking over of the Federal Reserve banks by the government and the creation of a Central Bank under which they would function seem to offer the first steps in the easiest way out of the wilderness. The inauguration of the system of currency discussed in a previous chapter would insure a reasonably safe transition from the one system to the other.

Telephone and telegraph.

Telephone and telegraph facilities should be a part of the postal service. The advantages of quick and cheap communication are obvious. These services are of high educational value. Private monopoly has already prepared them for the final absorption by the Federal government and the immediate effects of the change would hardly be perceptible. It is probable that extensions into remote territory would take place more rapidly under public initiative than under private. This has been true of the postal service.

Coal industry. The coal industry, for various reasons, should be developed to the highest possible degree of efficiency. Coal once used cannot be regained. It is therefore of highest importance that waste should be avoided. The deposits vary so much that no two operations are at the same cost, and as a certain amount must be had, it necessitates, under production by small units, that the basic price shall be made upon the operation which costs most. This permits the favorably circumstanced mines to charge more than a fair price in times of large demand and to operate during dull periods when the more costly operation can no longer get cost for its production. This condition makes it desirable that there should be a centralized ownership and control of coal, so that productive costs could be averaged and the price to consumers fixed by the same rule.

Nationalization of coal. Were the coal industry nationalized, a thorough system of conservation could be put into effect that would greatly reduce the wastes and increase efficiency. Taken in connection with the nationalization of railroads, the policy of developing energy at the mines, transmitting it by wire, could be carried out, thus saving the cost of hauling. The electrifying of the lines would not only save the movement of the coal required by the roads, but it would distribute power over wide areas to be used for all other purposes. The government could establish laboratories, and employ such processes as would bring the production of coal under scientific methods and thus get out of it all its valuable properties.

American waste. The American people, blessed as perhaps no others have ever been with a rich store of natural wealth, have not shown themselves capable of

wisely administering the trust thus imposed upon them. The reckless way in which they have wasted the natural resources of the country reminds one of the herd finding a fine pasture. They proceed without thought of the future to trample under foot and destroy ten times as much as they consume, and later starve for lack of food.

Improvident coal production and consumption.

Under the present system of coal production, if the haphazard, happy-go-lucky methods may be dignified by the term, the prospect of immediate gain is the controlling factor, and all who can get together the necessary equipment, however inefficient and crude, launch into the mining business. With no general policy, little thought of preparation for efficient conservation, the business proceeds to appropriate what it can to-day, wasting perhaps far more than it gains and leaving the future to take care of itself!

When it is considered that coal and transportation, of all things are most vital to the existence of civilization, it should require little persuasion to induce the public to make its position safe in these respects.

Danger lurks in mining and transportation.

There inhere in these two things the latent possibilities of social destruction. Already in the local revolutions in Colorado, West Virginia, and elsewhere, the country has been put under notice that danger lurks in these things. Suppose at some critical period the coal and transportation interests, either through the employers or employees, decide to coerce the general public, it is entirely in the power of these two or three million people to bring the entire population to a condition that is more easily imagined than described. When this fact is taken in connection with the

additional fact that private ownership and operation of these basic services have much in them to incite revolutionary conflict, it becomes increasingly plain that public safety demands that the change be made.

The public lack of prevision.

The lessons of history do not teach that society has ever possessed the faculty of prevision to any marked degree, and it is scarcely probable that the immediate future will be much different from the past in this respect. It has always blundered along from one impossible situation to another and made such progress as necessity compelled. It may continue to do so, paying the exorbitant price that inattention, inefficiency, and ignorance always pay for their sins of omission and commission.

The individual the important thing.

After all, the question narrows down to the individual. Whether considered socially, economically, or otherwise, the institutions existing at any given time are faithful reflections of the people of that time. As the latter rise to higher levels, they carry the former up with them, but if they descend to lower planes their shadows faithfully follow them.

Human development all-important.

Manifestly, the pressing need is for human development. The progressive forces of the nation should concentrate their power to develop both the moral and intellectual ability of the individual, striving at the same time to remove as far as possible every barrier that stands in the way. The need is for more education and better education—not mere literacy, but a development of the power to think and understand, and, of equal importance, the development of the

love of right and truth. When these objects have been accomplished there yet remains a still more difficult problem to solve.

The crucial problem.

What can be done to increase the capacity of the individual, thus enlarging the potentialities of this and succeeding generations? It is proverbial that one cannot make a silk purse out of a sow's ear. What can be done to increase the production of silk and diminish that of sow ears? It has been stated that a million, seven hundred thousand men drafted for service in the great war, when tested as to their intellectual capacity, showed an average age of thirteen years! This would indicate that in this country there are millions of adults who have minds that are not above those of normal children from eight to twelve years old!

The mass of morons.

When one considers this immense horde of morons that is an old man of the sea upon the back of society, the tardiness of social evolution ceases to excite surprise. It is unfortunately true that the lower the mental capacity of the individuals, the greater their fecundity. Shall this flood of deficients continue to rise until it submerges civilization, making impossible the higher and better things that might be reasonably anticipated from a development of the race? How much the desire of large operators for cheap labor and the lax immigration policy which it caused are responsible for this large deficient class is indeterminable, but fruitful enquiry for remedial legislation might be found in this quarter. The thought that the deficient class will destroy civilization is disturbing, but the possibility should not be accepted as established. On the contrary, this danger should be taken as a challenge to the better endowed to do their best to remove the danger by controlling and eradi-

cating the causes, which if left alone, would probably produce such deplorable results. The subject is of sufficient importance to merit thorough investigation and study, after which the matter of methods could be more intelligently considered. Politically, the deficient classes are a positive menace, in that they furnish the material with which evil propagandists and conscienceless demagogues can work mightily and destructively.

A challenge to the capable.

The program outlined, viewed by itself, may appear imposing, but when it is contrasted with what might be done, its moderation becomes apparent.

THE END.

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